

1 State of Arkansas
2 88th General Assembly
3 Regular Session, 2011
4

A Bill

HOUSE BILL 1589

5 By: Representatives Summers, T. Bradford, English, Vines
6 By: Senators B. Sample, E. Williams
7

For An Act To Be Entitled

8
9 AN ACT TO AMEND MUNICIPAL ACCOUNTING LAWS; AND FOR
10 OTHER PURPOSES.
11

Subtitle

12
13
14 TO AMEND MUNICIPAL ACCOUNTING LAWS.
15
16

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
18

19 SECTION 1. Arkansas Code § 14-59-101 is amended to read as follows:
20 14-59-101. Title.

21 This chapter shall be known and cited as the "Arkansas Municipal
22 Accounting Law ~~of 1973.~~"
23

24 SECTION 2. Arkansas Code § 14-59-105 is amended to read as follows:
25 14-59-105. Prenumbered checks - Electronic funds transfers.

26 (a) All disbursements of municipal funds, except those described in
27 this section and as noted in § 14-59-106, petty cash funds, are to be made by
28 prenumbered checks drawn upon the bank account of that municipality.

29 (b) The checks shall be of the form normally provided by commercial
30 banking institutions and shall contain as a minimum the following
31 information:

- 32 (1) Date of issue;
- 33 (2) Check number;
- 34 (3) Payee;
- 35 (4) Amount ~~both in numerical and written form~~; and
- 36 (5) Signature of two authorized disbursing ~~officer~~ officers of



1 the city.

2 (c) ~~The municipality shall maintain printer's certificates as to the~~
 3 ~~numerical sequence of checks printed.~~

4 ~~(d) Disbursements of municipal funds used for payment of salaries and~~
 5 ~~wages of municipal officials and employees may be made by electronic funds~~
 6 ~~transfer provided that:~~

7 ~~(1) The the municipal employee or official responsible for ~~such~~~~
 8 ~~disbursements shall maintain maintains a ledger containing at least the ~~name:~~~~

9 ~~(1) Name, address, and social security number of the employee~~
 10 ~~receiving payment of salary or wages;~~

11 ~~(2) ~~the routing~~ Routing number from the bank in which the funds~~
 12 ~~are held;~~

13 ~~(3) ~~the account~~ Account number ~~and the accounts;~~~~

14 ~~(4) Accounts clearing house trace number pertaining to the~~
 15 ~~transfer;~~

16 ~~(5) ~~the date~~ Date and amount transferred; and ~~proof~~~~

17 ~~(6) Proof that the employee has been notified of direct deposit~~
 18 ~~of his or her salary or wages by electronic funds transfer; ~~and.~~~~

19 ~~(2) No such disbursement may be made by electronic funds transfer~~
 20 ~~without written consent of the employee to whom direct deposit is made.~~

21 ~~(d) Disbursements of municipal funds used for payments to federal or~~
 22 ~~state governmental entities may be made by electronic funds transfer.~~

23 ~~(e) Disbursements of municipal funds, other than for payments under~~
 24 ~~subsections (c) and (d) of this section, may be made by electronic funds~~
 25 ~~transfer provided that:~~

26 ~~(1) The governing body of the municipality may establish by~~
 27 ~~ordinance an electronic funds payment system directly into payees' accounts~~
 28 ~~in financial institutions in payment of any account allowed against the~~
 29 ~~municipality.~~

30 ~~(2) For purposes of this subsection, municipalities opting for an~~
 31 ~~electronic funds payment system shall establish an electronic payment method~~
 32 ~~that provides for internal accounting controls and documentation for audit~~
 33 ~~and accounting purposes.~~

34 ~~(3) Each electronic payment method established under subdivision~~
 35 ~~(e)(2) of this section shall be approved by the Legislative Joint Auditing~~
 36 ~~Committee before implementation by the municipality.~~

1 (4) A single electronic funds payment may contain payments to
 2 multiple payees, appropriations, characters, or funds.

3 ~~(e)~~(f) A disbursement of municipal funds shall have adequate supporting
 4 documentation for the disbursement.

5
 6 SECTION 3. Arkansas Code § 14-59-107 is amended to read as follows:

7 14-59-107. Fixed asset ~~and equipment~~ records.

8 (a) The governing body shall adopt a policy defining fixed assets. At
 9 a minimum, the policy shall set forth the dollar amount and useful life
 10 necessary to qualify as a fixed asset.

11 ~~(a)~~(b)(1) All municipalities shall establish by major category and
 12 maintain, as a minimum, a listing of all fixed assets owned by the
 13 municipality.

14 (2) The listing shall be totaled by category with a total for all
 15 categories.

16 (3) The categories of fixed assets shall include the major types,
 17 such as:

- 18 (A) Land;
- 19 (B) Buildings;
- 20 (C) Motor vehicles, by department;
- 21 (D) Equipment, by department; and
- 22 (E) Other assets.

23 ~~(b)~~(c) The listing shall contain as a minimum:

- 24 (1) Property item number, if used by the municipality;
- 25 (2) Brief description;
- 26 (3) Serial number, if available;
- 27 (4) Date of acquisition; and
- 28 (5) Cost of property.

29
 30 SECTION 4. Arkansas Code § 14-59-108(a), concerning reconciliation of
 31 bank accounts, is amended to read as follows:

32 (a)(1) On a monthly basis, all municipalities ~~receiving state aid~~ shall
 33 reconcile their cash receipts and disbursements journals to the amount on
 34 deposit in banks.

35 (2) The reconciliation under subdivision (a)(1) of this section
 36 shall be approved by a municipal official or employee, other than the person

1 preparing the reconciliation, as designated by the chief executive officer of
 2 the municipality.

3
 4 SECTION 5. Arkansas Code § 14-59-109 is amended to read as follows:

5 14-59-109. Prenumbered receipts.

6 ~~(a)~~ (1) All ~~items of income funds received~~ are to be formally receipted
 7 at the time of collection or the earliest opportunity by the use of
 8 prenumbered receipts or mechanical receipting devices, ~~such as cash~~
 9 ~~registers, or validating equipment.~~

10 ~~(2)~~ (b)(1) In the use of prenumbered receipts, the following minimum
 11 standards shall be met:

12 (A) ~~Receipts~~ If manual receipts are used, receipts are to
 13 be prenumbered by the printer, and a printer's certificate obtained and
 14 retained for audit purposes. The certificate shall state the date printing
 15 was done, the numerical sequence of receipts printed, and the name of the
 16 printer;

17 (B) The prenumbered receipts shall contain the following
 18 information for each item receipted:

- 19 (i) Date;
- 20 (ii) Amount of receipt;
- 21 (iii) Name of person or company from whom money was
 22 received;
- 23 (iv) Purpose of payment;
- 24 ~~(vi)~~ (v) Fund to which receipt is to be credited; and
- 25 ~~(vii)~~ (vi) Signature Identification of employee
 26 receiving money.

27 ~~(C)~~ (2) The If manual receipts are used, the original
 28 receipt should be given to the party making payment. One (1) duplicate copy
 29 of the receipt shall be maintained in numerical order in the receipt book and
 30 made available to the auditors during the course of annual audit. Additional
 31 copies of the receipt are optional with the municipality and may be used for
 32 any purposes they deem fit.

33 ~~(b)~~ ~~The use of mechanical receipting devices, which accomplish the~~
 34 ~~same purpose as prenumbered receipts, is acceptable and is encouraged where~~
 35 ~~such equipment is utilized.~~ (c) If an electronic receipting system is used,
 36 the system shall be in compliance with the Information Systems Best Practices

1 Checklist provided by the Legislative Joint Auditing Committee.

2
 3 SECTION 6. Arkansas Code § 14-59-110 is amended to read as follows:
 4 14-59-110. Cash receipts journals ~~for municipalities.~~

5 (a)(1) ~~Municipal corporations~~ Municipalities shall establish a cash
 6 receipts journal, or an electronic receipts listing that shall indicate:

7 ~~(2)(A) The receipts journal shall indicate:~~

8 ~~(i) (A) The receipt number;~~

9 ~~(ii) (B) The date of the receipt;~~

10 ~~(iii) (C) The payor; and~~

11 ~~(iv) (D) The amount of the receipt; and~~

12 (E) Classification or general ledger account.

13 ~~(B) (2) The classification of such the receipts shall~~
 14 include the major sources of revenue, such as:

15 ~~(i) (A) State revenues;~~

16 ~~(ii) (B) Property taxes;~~

17 ~~(iii) (C) Sales taxes;~~

18 ~~(iv) (D) Fines, forfeitures, and costs;~~

19 ~~(v) (E) Franchise taxes, and fees;~~

20 ~~(vi) Other (F) Transfers in; and~~

21 (G) Other.

22 (b)(1) All items of receipts shall be posted to and properly classified
 23 in the cash receipts journal or electronic receipts listing.

24 (2)(A) The journal shall be ~~footed, crossfooted,~~ properly
 25 balanced and totaled monthly and on a year-to-date basis.

26 (B) The journal shall be reconciled monthly to total bank
 27 deposits as shown on the municipalities' bank statements.

28 (3) The electronic receipts listing shall be posted to the
 29 general ledger at least monthly. The general ledger shall be reconciled
 30 monthly to total bank deposits as shown on the municipalities' bank
 31 statements.

32
 33 SECTION 7. Arkansas Code § 14-59-111 is amended to read as follows:
 34 14-59-111. Cash disbursements journals ~~for municipalities.~~

35 (a)(1) ~~(A) Municipal corporations~~ Municipalities shall establish a cash
 36 disbursements journal, or electronic check register that

1 ~~(B) The cash disbursements journal~~ shall indicate the date,
 2 payee, check number or transaction number, ~~and~~ amount of each check written
 3 or transaction, and classification or general ledger account.

4 (2) The classifications of expenditures shall include the major
 5 type of expenditures by department, such as:

- 6 (A) ~~Salaries~~ Personal services;
- 7 (B) ~~Utilities~~ Supplies;
- 8 (C) ~~Supplies~~ Other services and charges;
- 9 (D) ~~Fixed assets~~ Capital outlay; ~~and~~
- 10 (E) ~~Other.~~ Debt service; and
- 11 (F) Transfers out.

12 (b)(1) The cash disbursements journal shall be ~~footed, crossfooted,~~
 13 properly balanced and totaled monthly and on a year-to-date basis.

14 (2) The cash disbursements journal shall be reconciled monthly to
 15 total bank disbursements as indicated on the monthly bank statements.

16 (3) The electronic check register shall be posted to the general
 17 ledger at least monthly. The general ledger shall be reconciled monthly to
 18 total bank disbursements as indicated on the monthly bank statements.

19
 20 SECTION 8. Arkansas Code § 14-59-114 is amended to read as follows:

21 14-59-114. Maintenance and destruction of accounting records.

22 (a) Accounting records can basically be divided into the following ~~two~~
 23 ~~(2)~~ three (3) groups:

24 (1)(A) Support Documents. Support documents consist primarily of
 25 the following items:

- 26 (i) Cancelled checks;
- 27 (ii) Invoices; ~~and~~
- 28 (iii) Bank statements-~~r~~;
- 29 (iv) Receipts;
- 30 (v) Deposit slips;
- 31 (vi) Bank reconciliations;
- 32 (vii) Check book register or listing;
- 33 (viii) Receipts listing;
- 34 (ix) Monthly financial reports;
- 35 (x) Payroll records;
- 36 (xi) Budget documents; and

1 (xii) Bids, quotes, and related documentation.

2 (B) These records shall be maintained for a period of at
 3 least ~~three (3)~~ four (4) years and in no event shall be disposed of ~~prior to~~
 4 before being audited for the period in question.

5 (2)(A) ~~Permanent~~ Semipermanent Records. ~~Permanent~~ Semipermanent
 6 records consist of:

- 7 ~~(i) Journals;~~
- 8 ~~(ii) Ledgers;~~
- 9 ~~(iii) Subsidiary ledgers;~~
- 10 ~~(iv) Minutes; and~~
- 11 ~~(v) (i) Fixed assets and equipment detail records;~~
- 12 (ii) Investment and certificate of deposit records;
- 13 (iii) Journals, ledgers, and subsidiary ledgers; and
- 14 (iv) Annual financial reports.

15 (B)(i) These records shall be maintained for a period of
 16 not less than seven (7) years ~~by the municipality, after which period the~~
 17 ~~records may be destroyed after an audit has been made of the records, and in~~
 18 no event shall be disposed of prior to before being audited for the period in
 19 question.

20 (ii) For investment and certificate of deposit
 21 records, the seven (7) years of required maintenance begins on the date of
 22 maturity.

23 (3)(A) Permanent Records. Permanent records consist of:

- 24 (i) City or town council minutes;
- 25 (ii) Ordinances;
- 26 (iii) Resolutions;
- 27 (iv) Employee retirement documents; and
- 28 (v) Annual financial audits.

29 (B) These records shall be maintained permanently.

30 (b) When documents are destroyed, the municipality shall document the
 31 destruction by the following procedure:

32 (1)(A) An affidavit is to be prepared stating which documents are
 33 being destroyed and to which period of time they apply, indicating the method
 34 of destruction;

35 (B) This affidavit is to be signed by the municipal
 36 employee performing the destruction and one (1) council member.

1 (2)(A) In addition, the approval of the council for destruction
 2 of documents shall be obtained, and an appropriate note of ~~such~~ the approval
 3 indicated in the council minutes along with the destruction affidavit;

4 (B) This council approval shall be obtained ~~prior to~~ before
 5 the destruction.

6
 7 SECTION 9. Arkansas Code § 14-59-115 is amended to read as follows:
 8 14-59-115. Duties of municipal treasurer.

9 (a) Each municipal treasurer of this state or the designated
 10 representative that has been approved by the governing body shall submit a
 11 ~~monthly a copy of the bank reconciliations~~ financial report to the ~~city~~
 12 council or board of directors.

13 (b)(1) Municipal treasurers shall maintain the accounting records
 14 prescribed in this chapter.

15 (2)(A) If the treasurer does not comply with the provisions of
 16 this chapter or requests that specific duties be assigned to another employee
 17 or contracting entity, the governing body of a municipality may assign
 18 specific duties outlined in this chapter to another employee, or it may
 19 contract for such services to be performed by a private, qualified person or
 20 entity.

21 (B) The governing body of a municipality may not assign
 22 duties relating to the ~~receipting~~ collecting or disbursing of funds to anyone
 23 other than an employee of the municipality.

24
 25 SECTION 10. Arkansas Code § 14-59-116 is amended to read as follows:
 26 14-59-116. ~~Semiannual~~ Annual publication of financial statement.

27 (a)(1) The governing body of each municipality shall, ~~semiannually,~~
 28 ~~cause to be published~~ publish annually a financial statement of the
 29 municipality, including receipts and expenditures for the period and a
 30 statement of the indebtedness and financial condition of the municipality.
 31 The financial statement shall be published one (1) time in ~~one (1) legal~~ a
 32 ~~newspaper of general circulation~~ published in the municipality ~~a financial~~
 33 ~~statement of the municipality, including the receipts and expenditures for~~
 34 ~~that period and a statement of the indebtedness and financial condition of~~
 35 ~~the municipality.~~

36 (2) This financial statement shall be at least as detailed as the

1 minimum record of accounts as provided in this chapter.

2 (3) This financial statement, ~~for the first six (6) months of the~~
3 ~~calendar year,~~ shall be published by ~~September 1~~ April 1 of the following
4 year. ~~The financial statement for the last six (6) months of the calendar~~
5 ~~year shall be published by March 1 of the following year.~~

6 (b) In ~~incorporated towns where~~ municipalities in which no newspaper is
7 published, ~~written or printed notice~~ the financial statement shall be posted
8 in ~~five (5)~~ two (2) of the most public places in the municipality ~~shall be~~
9 ~~deemed a sufficient publication of the financial statement provided for in~~
10 ~~this section.~~

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13 **APPROVED: 03/23/2011**
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