

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.

1 State of Arkansas
2 83rd General Assembly
3 Regular Session, 2001
4

As Engrossed: S2/26/01 S3/6/01

A Bill

SENATE BILL 558

5 By: Senators Fitch, Mahony, Riggs, Wooldridge, Critcher, Gullett
6 By: Representatives Ferguson, Hausam, Dees, Bennett, Bledsoe, Gipson, W. Walker
7
8

For An Act To Be Entitled

10 AN ACT TO AMEND THE MUNICIPAL ACCOUNTING LAW OF
11 1973; TO PROVIDE CERTAIN MANDATORY DUTIES FOR
12 MUNICIPAL TREASURERS; TO PROVIDE CERTAIN
13 PENALTIES FOR FAILURE TO MAINTAIN CERTAIN
14 ACCOUNTING RECORDS; AND FOR OTHER PURPOSES.
15

Subtitle

16 AN ACT REQUIRING MUNICIPALITIES TO
17 MAINTAIN CERTAIN MINIMUM ACCOUNTING
18 RECORDS AND TO PROVIDE PENALTIES FOR
19 FAILURE TO MAINTAIN ACCOUNTING RECORDS.
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
24

25 SECTION 1. Arkansas Code 14-59-102 is amended to read as follows:

26 14-59-102. Applicability.

27 This chapter shall apply ~~only to the general funds and street funds to~~
28 all funds under the budgetary control of the council or board of directors of
29 the various municipalities of this state, except water and sewer departments.
30

31 SECTION 2. Arkansas Code 14-59-107, concerning fixed asset and
32 equipment records, is amended to read as follows:

33 14-59-107. Fixed asset and equipment records.

34 (a) ~~(1)(A)~~ Municipalities shall establish and maintain, as a minimum, a
35 listing of all fixed assets ~~and equipment~~ owned by the municipality by major
36 category. The listing shall be totaled by category with a total for all

1 categories. The categories of fixed assets shall include the major types,
2 such as:

- 3 (1) Land;
- 4 (2) Buildings;
- 5 (3) Motor Vehicles;
- 6 (4) Equipment; and
- 7 (5) Other.

8 ~~(B)~~(b) The listing shall contain as a minimum:

- 9 ~~(i)~~(1) Property item number, if used by the municipality;
- 10 ~~(ii)~~(2) Brief description;
- 11 ~~(iii)~~(3) Serial number, if available;
- 12 ~~(iv)~~(4) Location of property; Date of acquisition; and
- 13 ~~(v)~~ Vendor purchased from and the date of acquisition; and
- 14 ~~(vi)~~(5) Cost of property.

15 ~~(2) In lieu of maintaining such a list, the municipality may~~
16 ~~maintain an index card system for accounting for fixed assets and equipment.~~
17 ~~The index card system must contain the above information for each unit of~~
18 ~~property owned by the city.~~

19 ~~(b) Such fixed asset and equipment records shall constitute a part of~~
20 ~~the general records of the municipality and, accordingly, shall be made~~
21 ~~available for utilization by the auditor at the time of audit.~~

23 SECTION 3. Arkansas Code 14-59-110, concerning the maintaining of cash
24 receipts journals, is amended to read as follows:

25 14-59-110. Cash receipts journals for ~~cities~~ municipalities.

26 (a)(1) ~~General Fund.~~ Municipal corporations ~~classified as either~~
27 ~~cities of the first class or cities of the second class shall establish, as a~~
28 ~~minimum,~~ a cash receipts journal consisting of columnar paper at least ten
29 ~~(10) columns, which shall be in addition to columns required for dates,~~
30 ~~receipt numbers, and description.~~

31 (2)(A) The receipts journal shall indicate:

- 32 (i) The receipt number;
- 33 ~~(i)~~(ii) The date of the ~~cash~~ receipts;
- 34 ~~(ii)~~(iii) From whom the cash was received; The
35 payor; and
- 36 ~~(iii)~~(iv) The ~~total~~ amount of the ~~cash~~ receipts

1 receipt.

2 (B) ~~As a minimum, columns for the~~ The classification of
3 such receipts shall include the major sources of revenue, such as:

- 4 ~~(i) Total;~~
- 5 ~~(ii)(i) State General Revenues;~~
- 6 ~~(iii)(ii) City General Taxes; Property Taxes;~~
- 7 ~~(iv)(iii) Special City Tax Levies (2-3 columns);~~
- 8 Sales Taxes;
- 9 ~~(v)(iv) Court Fines and Fees; Fines, forfeitures, and~~
- 10 costs;
- 11 ~~(vi)(v) Other; and Franchise Taxes; and~~
- 12 ~~(vii)(vi) Source of Other.~~

13 ~~(b)(1) Street Fund. The street fund cash receipts journal for first~~
14 ~~class and second class cities shall consist of, as a minimum, columnar paper~~
15 ~~of at least five (5) columns, in addition to columns for date, receipt~~
16 ~~numbers, and description of the nature of such receipts.~~

17 ~~(2)(A) The journal shall be posted, identifying each receipt by:~~

- 18 ~~(i) Receipt number;~~
- 19 ~~(ii) Date;~~
- 20 ~~(iii) From whom received; and~~
- 21 ~~(iv) Total amount received.~~

22 ~~(B) The total amount received shall then be classified~~
23 ~~according to nature of receipts in the remaining columns, which shall be~~
24 ~~titled as a minimum:~~

- 25 ~~(i) Total;~~
- 26 ~~(ii) Highway Revenues;~~
- 27 ~~(iii) County Road;~~
- 28 ~~(iv) Other; and~~
- 29 ~~(v) Source of Other.~~

30 ~~(c)(1)~~ (b)(1) All items of receipts shall be posted to and properly
31 classified in the cash receipts journal.

32 (2) The journal shall be ~~footed and crossfooted~~ footed,
33 crossfooted, and totaled monthly and on a year-to-date basis. ~~and~~ The journal
34 shall be monthly reconciled to total bank deposits as shown on the
35 municipalities' bank statements.

36

1 SECTION 4. Arkansas Code 14-59-111, concerning maintaining cash
2 disbursement journals for municipalities, is amended to read as follows:

3 14-59-111. Cash disbursements journals for ~~cities~~ municipalities.

4 (a)(1) ~~GENERAL FUND. The~~ Municipal corporations shall establish a cash
5 disbursements journal. ~~For the general funds of first and second class cities~~
6 ~~shall, as a minimum, consist of columnar paper of at least seven (7) columns,~~
7 ~~such columns being in addition to columns necessary for recording~~ The cash
8 disbursements journal shall indicate the date, payee, check number, and amount
9 of each check written.

10 (2) ~~The additional seven (7) columns are to be used for the~~
11 ~~classification of general fund expenditures as follows:~~ The classifications
12 of expenditures shall include the major type of expenditures by department,
13 such as:

14 (A) ~~ADMINISTRATIVE EXPENSE:~~

15 (i) ~~(A)~~ Salaries;

16 (ii) ~~Social Security;~~

17 (iii) ~~(B)~~ Utilities;

18 (iv) ~~(C)~~ Supplies;

19 (v) ~~(D)~~ Fixed Assets; and

20 (vi) ~~(E)~~ Other; ~~and~~

21 (vii) ~~Define Other.~~

22 (B) ~~In the event the municipality maintains a police, fire,~~
23 ~~parks, or other department, then the city should establish additional columns~~
24 ~~in its cash disbursements journal which would reflect the expenditures of~~
25 ~~these departments separately, given a column for each category as set out~~
26 ~~above.~~

27 (b)(1) ~~Street Fund. The cash disbursements journal for street funds of~~
28 ~~a city of the first or second class shall consist of columnar paper of at~~
29 ~~least six (6) columns, which shall be in addition to columns utilized for~~
30 ~~recording dates, check numbers, payees, and total amounts expended from the~~
31 ~~street fund bank account.~~

32 (2) ~~The additional minimum six (6) columns shall be used for~~
33 ~~classification of expenses, a minimum breakout of which is as follows:~~

34 (A) ~~Salaries and Labor;~~

35 (B) ~~Social Security;~~

36 (C) ~~Street Material and Supplies;~~

1 ~~(D) Operation and Maintenance;~~

2 ~~(E) Other; and~~

3 ~~(F) Define Other.~~

4 ~~(c)(b)~~ The cash disbursements journal shall be ~~footed and crossfooted~~
5 footed, crossfooted, and totaled monthly and on a year-to-date basis. ~~and The~~
6 cash disbursements journal shall be monthly reconciled to total bank
7 disbursements as indicated on the monthly bank statements.

8

9 SECTION 5. Arkansas Code 14-59-115 is amended to read as follows:

10 14-59-115. ~~Monthly treasurer's report~~ Duties of municipal treasurer.

11 (a) Each municipal treasurer of this state, or their designated
12 representative that has been approved by the governing body, shall submit,
13 monthly, a copy of ~~his~~ the bank reconciliations ~~and a signed statement stating~~
14 ~~that, as a minimum, the records of accounts as prescribed by this chapter have~~
15 ~~been maintained carefully and have been diligently posted~~ to the city council
16 or board of directors.

17 (b) ~~These reports shall be submitted to the city council or board of~~
18 ~~directors.~~ Municipal treasurers shall maintain the accounting records
19 prescribed in this chapter. *If the treasurer does not comply with the*
20 *provisions of this chapter or requests specific duties be assigned to another*
21 *employee or contracting entity, the governing body of a municipality may*
22 *assign specific duties outlined in this chapter to another employee or may*
23 *contract for such services to be performed by a private, qualified person or*
24 *entity. The governing body of a municipality may not assign duties relating to*
25 *the receipting or disbursing of funds to anyone other than an employee of the*
26 *municipality.*

27

28 SECTION 6. Withholding of turnback for noncompliance.

29 (a) Notification to Legislative Joint Auditing Committee. If the
30 Division of Legislative Audit determines that a municipal treasurer is not
31 complying with the provisions of this chapter, the division shall report the
32 findings to the Legislative Joint Auditing Committee. If a public official or
33 private accountant determines that a municipal treasurer is not complying with
34 the provisions of this chapter, the official or accountant shall notify the
35 Legislative Joint Auditing Committee of their findings. Upon notification,
36 the Legislative Joint Auditing Committee shall direct the Division of

1 Legislative Audit to confirm that the required books and records are not being
2 maintained. Upon confirmation, the Division of Legislative Audit shall report
3 the findings to the Legislative Joint Auditing Committee.

4 (b) Opportunity to comply. (1) Upon notification of noncompliance by
5 the Division of Legislative Audit, the Legislative Joint Auditing Committee
6 shall notify the mayor and city or town council, in writing, that the
7 municipality's accounting records do not substantially comply with the
8 provisions of this chapter.

9 (2) The municipality shall have ninety (90) days after the date
10 of notification to bring the accounting records into substantial compliance
11 with the requirements of this chapter.

12 (3) After the ninety (90) days allowed for compliance, or upon
13 request by the appropriate municipal officials, the Division of Legislative
14 Audit shall review the records to determine if the municipality substantially
15 complies with the provisions of this chapter. The Division of Legislative
16 Audit shall report their findings to the Legislative Joint Auditing Committee.

17 (c) Withholding of turnback. If the municipality has not achieved
18 substantial compliance within the ninety-day period, the Legislative Joint
19 Auditing Committee shall report the noncompliance to the Treasurer of State.
20 Upon receipt of the notice of noncompliance from the Legislative Joint
21 Auditing Committee, the Treasurer of State shall place fifty percent (50%) of
22 the municipality's turnback in escrow until the Legislative Joint Auditing
23 Committee reports to the Treasurer of State that the municipality has
24 substantially complied with the provisions of this chapter. The Division of
25 Legislative Audit shall notify the Legislative Joint Auditing Committee when
26 the municipality has substantially complied with the provisions of this
27 chapter. The Legislative Joint Auditing Committee shall notify the Treasurer
28 of State that the municipality has substantially complied with the provisions
29 of this chapter. Upon notice of compliance from the Legislative Joint
30 Auditing Committee, the Treasurer of State shall remit all turnback due to the
31 municipality.

32 (d) If the Division of Legislative Audit has not received a request for
33 a review of the records from the municipality prior to the end of the six-
34 month period after the first date of notification of noncompliance, the
35 Legislative Joint Auditing Committee shall notify the municipality and the
36 Treasurer of State of the continued noncompliance. Upon notice by the

1 Legislative Joint Auditing Committee, the Treasurer of State shall withhold
 2 all turnback until such time that the accounting records have been reviewed
 3 and determined by the Division of Legislative Audit to be in substantial
 4 compliance with the provisions of this chapter.

5 (e) Redistribution of turnback. If the Division of Legislative Audit
 6 has not received a request for a review of the records from the municipality
 7 prior to the end of one (1) year after the initial notification of
 8 noncompliance, the Legislative Joint Auditing Committee shall notify the
 9 municipality and the Treasurer of State of the continued noncompliance. Upon
 10 notice of noncompliance for one (1) year, the municipality forfeits all
 11 escrowed funds and the Treasurer of State shall redistribute all escrowed
 12 turnback funds applicable to the municipality among all other municipalities
 13 receiving turnback. The municipality shall not be eligible to receive any
 14 additional turnback from the state until the Legislative Joint Auditing
 15 Committee notifies the Treasurer of State that the municipality has
 16 substantially complied with the provisions of this chapter.

17
 18 SECTION 7. Penalty. Any municipal treasurer who refuses or neglects to
 19 maintain the books and records provided in this chapter shall be deemed guilty
 20 of malfeasance. Upon conviction in circuit court, the treasurer shall be
 21 fined in any sum not less than one hundred dollars (\$100) nor more than one
 22 thousand dollars (\$1,000) and be removed from office.

23
 24 SECTION 8. Arkansas Code 14-59-112 and 14-59-113 are specifically
 25 repealed.

26 ~~14-59-112. Cash receipts journals for towns.~~

27 ~~(a) Municipal corporations not deemed first or second class cities~~
 28 ~~shall be permitted to establish minimum cash receipts journals as set forth in~~
 29 ~~this section if such minimums adequately fulfill their needs.~~

30 ~~(1)(A) General Fund. Minimum cash receipts journal for the~~
 31 ~~general fund shall consist of columnar paper. The total amount of the cash~~
 32 ~~receipt is to be listed by the receipt number, identification of the person or~~
 33 ~~firm the money is received from, and the date of the receipt.~~

34 ~~(B) In addition, the journal shall contain a minimum of~~
 35 ~~five (5) columns for the classification and recording of the receipts.~~
 36 ~~Columnar headings shall be a minimum of:~~

- 1 ~~(i) Total Cash Receipts;~~
- 2 ~~(ii) State General Revenues;~~
- 3 ~~(iii) City General Taxes;~~
- 4 ~~(iv) Other Receipts; and~~
- 5 ~~(v) Source of Other Receipts.~~

6 ~~(2)(A) Street Fund. The minimum journal for street funds shall be~~
 7 ~~as described in subdivision (a)(1) of this section for general funds.~~

- 8 ~~(B) The columnar headings shall be:~~
- 9 ~~(i) Total Cash Receipts;~~
- 10 ~~(ii) State Highway Revenue;~~
- 11 ~~(iii) Road Tax;~~
- 12 ~~(iv) Other Revenues; and~~
- 13 ~~(v) Source of Other Revenues.~~

14 ~~(b)(1) The cash receipts journals shall be footed and crossfooted at~~
 15 ~~least monthly and reconciled to bank deposits.~~

16 ~~(2) Bank deposits shall be made intact and agreed to amounts~~
 17 ~~recorded in the journal.~~

18
 19 ~~4-59-113. Cash disbursements journals for towns.~~

20 ~~(a) Municipal corporations not deemed cities of the first or second~~
 21 ~~class shall be permitted to establish minimum cash disbursements journals as~~
 22 ~~set forth in this section if such minimums adequately fulfill their needs.~~

23 ~~(1)(A) General Fund. The minimum cash disbursements journal shall~~
 24 ~~consist of columnar paper of at least seven (7) columns for classification of~~
 25 ~~disbursements and shall include, in addition to such classification, all~~
 26 ~~checks issued, entered numerically in chronological order, and shall identify~~
 27 ~~the payee.~~

28 ~~(B) In the first column of the journal shall be entered the~~
 29 ~~total amount for which the check was written; subsequent columns shall be~~
 30 ~~utilized for the classification of expenditures and shall contain at least the~~
 31 ~~following:~~

- 32 ~~(i) Total Disbursements;~~
- 33 ~~(ii) Salaries;~~
- 34 ~~(iii) Utilities;~~
- 35 ~~(iv) Supplies;~~
- 36 ~~(v) Fixed Assets;~~

- 1 ~~(vi) Other; and~~
- 2 ~~(vii) Source of Other.~~

3 ~~Other columns may be added and used as deemed appropriate by city officials.~~

4 ~~(2)(A) Street Fund. The minimum journal for street funds shall~~
5 ~~consist of columnar paper of at least five (5) columns, in addition to columns~~
6 ~~for descriptions, date, and check numbers. The street fund cash disbursements~~
7 ~~journal shall indicate all checks written on the street fund bank account~~
8 ~~listed numerically, indicating payee and total amount for which the check was~~
9 ~~written.~~

10 ~~(B) Additional columns shall be used for classification of~~
11 ~~expenditures as follows:~~

- 12 ~~(i) Total;~~
- 13 ~~(ii) Salaries;~~
- 14 ~~(iii) Supplies;~~
- 15 ~~(iv) Other; and~~
- 16 ~~(v) Description of Other.~~

17 ~~(b) The cash disbursement journals shall be footed and crossfooted~~
18 ~~monthly and reconciled to total bank disbursements as indicated on the monthly~~
19 ~~bank statements.~~

20 */s/ Fitch*

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