

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 1444 of the Regular Session

As Engrossed: H3/7/05 H3/9/05 S3/17/05

A Bill

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005

HOUSE BILL 2449

4
5 By: Representatives Abernathy, Roebuck
6
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For An Act To Be Entitled

8
9 AN ACT TO AMEND ARKANSAS CODE § 10-4-208 TO
10 PROVIDE A REGULATORY BASIS OF FINANCIAL STATEMENT
11 PRESENTATION FOR SCHOOLS; AND FOR OTHER PURPOSES.
12

Subtitle

13
14 AN ACT TO PROVIDE A REGULATORY BASIS OF
15 FINANCIAL STATEMENT PRESENTATION FOR
16 SCHOOLS.
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18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code § 10-4-208 is amended to read as follows:

22 10-4-208. Audit of ~~publicly funded educational institutions—~~
23 ~~Requirements of report by independent accountant~~ schools.

24 ~~(a) The audit of every publicly funded educational institution shall~~
25 ~~be performed by the Division of Legislative Audit or other independent person~~
26 ~~licensed to practice accounting by the Arkansas State Board of Public~~
27 ~~Accountancy to be selected by the governing body of the educational~~
28 ~~institution.~~

29 ~~(b) Any statutorily required audit of an educational institution~~
30 ~~performed by an independent accountant shall include as a minimum and as an~~
31 ~~integral part of the annual financial report a review and comments on~~
32 ~~substantial compliance with each of the following:~~

33 ~~(1) Management letter for audit of political subdivisions, §§~~
34 ~~14-75-101—14-75-104;~~

35 ~~(2) School officials prohibited from having interest in sales to~~



1 ~~school and from receiving pecuniary profits for favorable actions, §§ 6-13-~~
 2 ~~628;~~

3 ~~(3) School elections, §§ 6-14-102, 6-14-118;~~

4 ~~(4) Management of schools, §§ 6-13-617—6-13-620, 6-13-701;~~

5 ~~(5) Revolving Loan Fund, §§ 6-19-114(a), 6-20-801 et seq.;~~

6 ~~(6) District finances, §§ 6-20-402, 6-20-409;~~

7 ~~(7) District school bonds, §§ 6-20-1208, 6-20-1210(a) and (b);~~

8 ~~(8) Teachers and employees, §§ 6-17-201(b) and (c), 6-17-203—~~
 9 ~~6-17-206, 6-17-301, 6-17-401;~~

10 ~~(9) Teachers' salaries, the Minimum Foundation Program Aid Act,~~
 11 ~~§§ 6-17-803(b), 6-17-907, 6-17-908(a) and (b), 6-17-911—6-17-915, 6-17-918,~~
 12 ~~and 6-17-919;~~

13 ~~(10) Surety bonds if district has a district treasurer, § 19-1-~~
 14 ~~403;~~

15 ~~(11) Deposit of funds, §§ 19-8-104, 19-8-106;~~

16 ~~(12) Investment of funds, § 19-1-504; and~~

17 ~~(13) Improvement contracts, §§ 22-9-202—22-9-205.~~

18 ~~(c) The governing body of the educational institution shall require~~
 19 ~~the independent accountant to present the annual financial report in~~
 20 ~~conformity with the format and guidelines as prescribed by the appropriate~~
 21 ~~professional organizations, such as, but not limited to, the American~~
 22 ~~Institute of Certified Public Accountants, the National Council on~~
 23 ~~Governmental Accounting, and the National Association of College and~~
 24 ~~University Business Officers.~~

25 ~~(d)(1) The audit reports and accompanying comments and recommendations~~
 26 ~~relating to any publicly funded school, educational cooperative, vocational-~~
 27 ~~technical school, or institution of higher education prepared in accordance~~
 28 ~~with the provisions of § 6-1-101 or other Code provisions shall be reviewed~~
 29 ~~by the applicable board or governing body.~~

30 (a) As used in this section:

31 (1) "Public funds" means any funds, moneys, receivables, grants,
 32 investments, instruments, real or personal property, or other assets,
 33 liabilities, equities, revenues, receipts, or disbursements belonging to,
 34 held by or for, or passed through a school; and

35 (2) "School" means any public school district, charter school,
 36 educational cooperative, or any publicly supported entity having supervision

1 over public educational entities.

2 (b)(1) Except as provided in subdivision (b)(2)(A) of this section,
3 the Legislative Auditor shall conduct audits of all schools and any
4 transactions regarding public funds of the schools.

5 (2)(A) However, any school may retain the services of a licensed
6 certified public accountant or a licensed accountant in public practice in
7 good standing with the Arkansas State Board of Public Accountancy to conduct
8 the annual financial audits in accordance with auditing standards generally
9 accepted in the United States and Government Auditing Standards issued by the
10 Comptroller General of the United States. The report shall include a report
11 on internal control over financial reporting and on compliance and other
12 matters based on an audit of financial statements performed in accordance
13 with Government Auditing Standards.

14 (B) Every report of an annual financial audit shall be
15 filed with the Legislative Auditor within ten (10) days of issuance to the
16 board.

17 (C) Nothing in this subsection (b) limits the authority of
18 the Legislative Auditor to conduct an audit of any school.

19 (c) Regulatory Basis of Presentation. (1) For school financial
20 audits, the financial statements shall be presented on a fund basis format
21 with, as a minimum, the general fund and the special revenue fund presented
22 separately and all other funds included in the audit presented in the
23 aggregate.

24 (2) The financial statements shall consist of the following:

25 (A) A balance sheet;

26 (B) A statement of revenues, expenditures, and
27 changes in fund balances;

28 (C) A comparison of the final adopted budget to the actual
29 expenditures for the general fund of the entity and the special revenue fund
30 of the entity; and

31 (D) Notes to the financial statements.

32 (3) The report shall include as supplemental information a
33 schedule of capital assets, including land, buildings, and equipment.

34 (4) The State Board of Education shall promulgate the rules
35 necessary to administer the regulatory basis of presentation provided in this
36 subsection (c).

1 (d) Alternative Basis of Presentation. (1) As an alternative to the
2 presentation prescribed in subsection (c) of this section, the governing body
3 of a school may require its annual financial audit to be performed and
4 financial statements presented in accordance with the guidelines prescribed
5 by the Governmental Accounting Standards Board, the American Institute of
6 Certified Public Accountants, and the United States Government Accountability
7 Office, if applicable.

8 (2) The report shall include a report on internal control over
9 financial reporting and on compliance and other matters based on an audit of
10 financial statements performed in accordance with Governmental Auditing
11 Standards.

12 ~~(2)(A)(e)(1)~~ The audit report and accompanying comments and
13 recommendations shall be reviewed at the first regularly scheduled meeting
14 following receipt of the audit report if the audit report is received by the
15 board or governing body prior to ten (10) days before the regularly scheduled
16 meeting.

17 ~~(B)(2)~~ If the audit report is received by the board or governing
18 body within ten (10) days before a regularly scheduled meeting, the audit
19 report may be reviewed at the next regularly scheduled meeting after the ten-
20 day period.

21 (3) The board or governing body shall take appropriate action
22 relating to each finding and recommendation contained in the audit report.

23 (4) The minutes of the board or governing body shall document
24 the review of the findings and recommendations and the action taken by the
25 board or governing body.

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27 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
28 General Assembly of the State of Arkansas that Statement No. 34 of the
29 Governmental Accounting Standards Board, "Basic Financial Statements – and
30 Management's Discussion and Analysis – for State and Local Governments",
31 places undue burdens on many school districts within the State of Arkansas;
32 that the school districts in the State of Arkansas already face many
33 pressures and requirements regarding accountability and that another basis of
34 financial statement presentation will meet the needs of the General Assembly,
35 the Department of Education, the school districts, and the people of the
36 State of Arkansas; and that this act is immediately necessary to assist

1 school districts. Therefore, an emergency is declared to exist and this act
2 being immediately necessary for the preservation of the public peace, health,
3 and safety shall become effective on:

4 (1) The date of its approval by the Governor;

5 (2) If the bill is neither approved nor vetoed by the Governor,
6 the expiration of the period of time during which the Governor may veto the
7 bill; or

8 (3) If the bill is vetoed by the Governor and the veto is
9 overridden, the date the last house overrides the veto.

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11 */s/ Abernathy*

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14 *APPROVED: 3/31/2005*

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