

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 85th General Assembly  
3 Regular Session, 2005

# A Bill

HOUSE BILL 2449

4  
5 By: Representatives Abernathy, Roebuck  
6  
7

## 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~~  
36 ~~school and from receiving pecuniary profits for favorable actions, §§ 6-13-~~



1 ~~628,~~

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (a) As used in this section:

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

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

1       (b)(1) The Legislative Auditor may perform an audit of any school and  
 2 any transaction regarding public funds of the schools.

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

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

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

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

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

23                       (A) A balance sheet;

24                       (B) A statement of:

25                               (i) Revenues or receipts

26                               (ii) Expenditures or disbursements;

27                               (iii) Changes in fund equity or fund balance;

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       (d) Alternative Basis of Presentation. (1) As an alternative to the  
 35 presentation prescribed in subsection (c) of this section, the governing body  
 36 of a school may adopt an annual resolution, not less than six (6) months

1 before the end of the current school fiscal year, requiring its annual  
 2 financial audit to be performed and financial statements presented in  
 3 accordance with the guidelines prescribed by the Governmental Accounting  
 4 Standards Board, the American Institute of Certified Public Accountants, and  
 5 the United States Government Accountability Office, if applicable. The  
 6 resolution must be submitted to the Department of Education and the Division  
 7 of Legislative Audit within ten (10) days of adoption.

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.

26  
 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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