

1 State of Arkansas
2 88th General Assembly
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4

A Bill

HOUSE BILL 1588

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

For An Act To Be Entitled

9 AN ACT TO AMEND THE ARKANSAS MUNICIPAL WATER AND
10 SEWER DEPARTMENT ACCOUNTING LAW; AND FOR OTHER
11 PURPOSES.
12
13

Subtitle

14 TO AMEND THE ARKANSAS MUNICIPAL WATER AND
15 SEWER DEPARTMENT ACCOUNTING LAW.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code § 14-237-101 is amended to read as follows:
22 14-237-101. Title.

23 This chapter shall be known and cited as "The Arkansas Municipal Water
24 and Sewer Department Accounting Law ~~of 1973, "~~".
25

26 SECTION 2. Arkansas Code § 14-237-104 is amended to read as follows:
27 14-237-104. Bank accounts.

28 All municipal water and sewer departments ~~of municipalities and~~
29 ~~incorporated towns~~ of this state shall maintain all funds in depositories
30 approved for that purpose by law. The accounts shall be maintained in the
31 name of the municipal water and sewer department.
32

33 SECTION 3. Arkansas Code § 14-237-105 is amended to read as follows:
34 14-237-105. Prenumbered receipts or mechanical receipting devices.

35 (a)(1) All ~~items of income~~ funds received are to be formally receipted
36 at the time of collection or the earliest opportunity by the use of



1 prenumbered receipts or mechanical receipting devices ~~such as cash registers~~
 2 ~~or validating equipment.~~

3 (2) However, the use of prenumbered receipts shall not be
 4 required for receipting revenues derived from the sale of water to individual
 5 consumers where the income is determined by periodic readings of meters and
 6 the individual consumer is billed for the water by means of a water bill,
 7 part of which must be returned by the consumer with his or her remittance. In
 8 those cases, the water and sewer department shall prepare a detailed monthly
 9 statement showing the amount billed to each consumer and posting ~~thereto~~ the
 10 amount collected from each consumer on a monthly basis. A summary of the
 11 monthly statements shall be submitted to the ~~commission~~ governing body for
 12 its review.

13 (b) In the use of prenumbered receipts, the following minimum
 14 standards shall be met:

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

19 (2) The prenumbered receipts shall contain the following
 20 information for each item receipted:

- 21 (A) Date;
- 22 (B) Amount of receipt;
- 23 (C) Name of person or company from whom money was
 24 received;
- 25 (D) Purpose of payment;
- 26 (E) Fund to which receipt is to be credited; and
- 27 (F) ~~Signature~~ Identification of employee receiving the
 28 money;

29 (3) ~~The~~ If manual receipts are used, the original receipt should
 30 be given to the party making payment. One (1) duplicate copy of the receipt
 31 shall be maintained in numerical order in the receipt book and made available
 32 to the auditors during the course of annual audit. Additional copies of the
 33 receipt are optional with the water and sewer department and may be used for
 34 any purpose it deems fit.

35 (c) ~~The use of mechanical receipting devices which accomplish the same~~
 36 ~~purpose as prenumbered receipts is acceptable and is encouraged where such~~

1 ~~equipment is utilized~~ If an electronic receipting system is used, the system
 2 shall be in compliance with the Information Systems Best Practices Checklist
 3 provided by the Legislative Joint Auditing Committee.

4
 5 SECTION 4. Arkansas Code § 14-237-106 is amended to read as follows:
 6 14-237-106. Prenumbered checks ~~– Electronic funds transfers.~~

7 (a) All disbursements of water and sewer department funds, except
 8 those described in this section and as noted in § 14-237-107, are to be made
 9 by prenumbered checks drawn upon the bank account of that department ~~except:~~

10 ~~(1) Petty cash under § 14-237-107; or~~

11 ~~(2)(b)~~ An electronic funds transfer may be used for payment of
 12 debts provided that:

13 ~~(A)(1)~~ The person responsible for the disbursement shall
 14 maintain a ledger including without limitation the following information:

15 ~~(i)(A)~~ The name and address of the entity receiving
 16 payment;

17 ~~(ii)(B)~~ The routing number of the bank in which the
 18 funds are held;

19 ~~(iii)(C)~~ The account number and the accounts
 20 clearinghouse trace number pertaining to the transfer; and

21 ~~(iv)(D)~~ The date and amount transferred; and

22 ~~(B)(2)~~ Written consent for payment by electronic funds
 23 transfer is given by the entity to whom the transfer is made.

24 ~~(b)(c)~~ The checks shall be of the form normally provided by commercial
 25 banking institutions and shall contain, as a minimum, the following
 26 information:

27 (1) Date of issue;

28 (2) Check number;

29 (3) Payee;

30 (4) Amount, ~~both in numerical and written form; and~~

31 (5) Signature of two (2) authorized disbursing officer officers
 32 of the department.

33 ~~(c) The water and sewer department shall maintain printer's~~
 34 ~~certificates as to the numerical sequences of checks printed.~~

35 (d) Disbursements of department funds used for payment of salaries and
 36 wages of department officials and employees may be made by electronic funds

1 transfer provided that the department employee or official responsible for
2 disbursements shall maintain a ledger containing at least the:

3 (1) Name, address, and social security number of the employee
4 receiving payment of salary or wages;

5 (2) Routing number from the bank in which the funds are held;

6 (3) Account number and the accounts clearinghouse trace number
7 pertaining to the transfer; and

8 (4) Date and amount transferred and proof that the employee has
9 been notified of direct deposit of his or her salary or wages by electronic
10 funds transfer.

11 (e) Disbursements of department funds, other than for payments under
12 subsections (b) and (d) of this section, may be made by electronic funds
13 transfer provided that:

14 (1) The department's governing body may establish an electronic
15 funds payment system directly into payees' accounts in financial institutions
16 in payment of any account allowed against the department.

17 (2) As used in this subsection, departments opting for an
18 electronic funds payment system shall establish an electronic payment method
19 that provides for internal accounting controls and documentation for audit
20 and accounting purposes.

21 (3) Each electronic payment method established under subdivision
22 (e)(2) of this section shall be approved by the Legislative Joint Auditing
23 Committee before implementation by the department.

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

26 (f) A disbursement of department funds shall have adequate supporting
27 documentation for the disbursement.

28
29 SECTION 5. Arkansas Code § 14-237-107(a), concerning petty cash funds,
30 is amended to read as follows:

31 (a) Municipal water and sewer departments are permitted to establish
32 petty cash funds, so long as the funds are maintained as set forth in this
33 section. The establishment of a petty cash fund must be approved by the
34 ~~commission~~ department's governing body.

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36 SECTION 6. Arkansas Code § 14-237-108 is amended to read as follows:

1 14-237-108. Fixed asset records.

2 ~~(a) All water and sewer departments shall establish and maintain, as a~~
 3 ~~minimum, a listing of all fixed assets and equipment owned by the department.~~
 4 ~~The listing shall contain as a minimum:~~

- 5 ~~(1) Property item number if used by the department;~~
- 6 ~~(2) Brief description;~~
- 7 ~~(3) Serial number, if available;~~
- 8 ~~(4) Location of property;~~
- 9 ~~(5) Vendor purchased from and the date of acquisition;~~
- 10 ~~(6) Cost of property.~~

11 ~~(b) In lieu of maintaining a list, the water and sewer department may~~
 12 ~~maintain an index card system for accounting for fixed assets and equipment.~~
 13 ~~The index card system must contain the above information for each unit of~~
 14 ~~property owned by the department.~~

15 ~~(c) The fixed asset and equipment records shall constitute a part of~~
 16 ~~the general records of the department and, accordingly, shall be made~~
 17 ~~available for utilization by the auditor at the time of audit.~~

18 (a)(1) Each water and sewer department's governing body shall adopt a
 19 policy defining fixed assets.

20 (2) At a minimum, the policy shall set forth the dollar amount
 21 and useful life necessary to qualify as a fixed asset.

22 (b)(1) Each department shall establish by major category and maintain,
 23 as a minimum, a listing of all fixed assets owned by the department.

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

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

- 28 (A) Land;
- 29 (B) Buildings;
- 30 (C) Motor vehicles;
- 31 (D) Equipment; and
- 32 (E) Other.

33 (c) For each fixed asset, the listing shall contain, as a minimum:

- 34 (1) Property item number if used by the department;
- 35 (2) Brief description;
- 36 (3) Serial number, if available;

1 (4) Date of acquisition; and

2 (5) Cost of property.

3
4 SECTION 7. Arkansas Code § 14-237-109 is amended to read as follows:
5 14-237-109. Cash receipts journal.

6 (a) Water and sewer departments shall establish ~~and maintain, as a~~
7 ~~minimum,~~ a cash receipts journal ~~consisting of columnar paper of at least~~
8 ~~five (5) columns, which shall be in addition to columns necessary for dates~~
9 ~~and descriptions.~~

10 ~~(b) The receipts journal shall indicate the date of cash received, from~~
11 ~~whom cash received, and total amount of receipt. As a minimum, columns for~~
12 ~~the classification of receipts shall include:~~

13 ~~(1) Total;~~

14 ~~(2) Water Payment;~~

15 ~~(3) Sewer Payment;~~

16 ~~(4) Sanitation Funds;~~

17 ~~(5) Other;~~

18 ~~(6) Source of Other.~~ or an electronic receipts listing, which
19 shall indicate the:

20 (1) Receipt number;

21 (2) Date of the receipt;

22 (3) Payor;

23 (4) Amount of the receipt; and

24 (5) Classification or general ledger account.

25 (b) Classifications of the receipts shall include the major sources of
26 revenue.

27 (c)(1) All items of receipts shall be posted to and properly
28 classified in the cash receipts journal or electronic receipts listing.

29 (2)(A) The journal shall be properly balanced and totaled
30 monthly and on a year-to-date basis.

31 (B) The journal shall be reconciled monthly to total bank
32 deposits as shown on the department's bank statements.

33 (3)(A) The electronic receipts listing shall be posted to the
34 general ledger at least monthly.

35 (B) The general ledger shall be reconciled monthly to
36 total bank deposits as shown on the department's bank statements.

1
2 SECTION 8. Arkansas Code § 14-237-110 is amended to read as follows:

3 14-237-110. Cash disbursements journal.

4 (a) Water and sewer departments shall ~~maintain, as a minimum,~~
5 establish a cash disbursements journal or electronic check register which
6 shall indicate consisting of columnar paper of at least seven (7) columns in
7 addition to the columns necessary for the recording of the date, payee, check
8 number or transaction number, and amount of each check written or
9 transaction, and classification or general ledger account.

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

- 13 (1) ~~Salaries~~ Personal services;
14 (2) ~~Social Security~~ Supplies;
15 (3) ~~Supplies~~ Other services and charges;
16 (4) ~~Fixed Assets~~ Capital outlay;
17 (5) ~~Other~~ Debt service; and
18 (6) ~~Definition of Other~~ Transfers out.

19 (c)(1) The cash disbursements journal shall be properly balanced and
20 totaled monthly and on a year-to-date basis.

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

23 (d)(1) The electronic check register shall be posted to the general
24 ledger at least monthly.

25 (2) The general ledger shall be reconciled monthly to total bank
26 disbursements as indicated on the monthly bank statements.

27
28 SECTION 9. Arkansas Code § 14-237-111 is amended to read as follows:

29 14-237-111. Reconciliation of ~~journals with~~ bank accounts.

30 (a)(1) All water and sewer departments shall, ~~on a monthly basis,~~
31 reconcile on a monthly basis their cash receipts and disbursements journals
32 to the amount on deposit in banks.

33 (2) This reconciliation shall be approved by an official or
34 employee, other than the person preparing the reconciliation, as designated
35 by the governing body of the department.

36 (3) The reconciliations should take the following form:

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Water and Sewer Department of _____

Date _____

Amount Per Bank Statement Dated _____ \$.00

Add: Deposits in transit (Receipts recorded in Cash Receipts Journal not shown on this bank statement).

<u>DATE</u>	<u>RECEIPTS NO.</u>	<u>AMOUNT</u>	
		\$.00	
		.00	
		.00	.00

Deduct: Outstanding Checks (Checks issued and dated prior to date of bank statement per Cash Disbursements Journal not having yet cleared the bank.)

<u>CHECK NO.</u>	<u>PAYEE</u>	<u>AMOUNT</u>	
		\$.00	
		.00	
		.00	.00
		_____	_____

RECONCILED BALANCE: \$.00

(b) This reconciled balance shall agree with either the cash balance as shown on the department's check stubs running bank balance or the

1 department's general ledger cash balance, whichever system the department
 2 employs.

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 4 SECTION 10. Arkansas Code § 14-237-112 is amended to read as follows:
 5 14-237-112. Maintenance and destruction of accounting records.

6 (a) Accounting records can basically be divided into ~~two (2)~~ three (3)
 7 groups:

8 (1)(A) Support Documents. Support documents consist primarily of
 9 the following items:

- 10 (i) Canceled checks;
- 11 (ii) Invoices;
- 12 (iii) Bank statements;
- 13 (iv) Receipts;
- 14 (v) Deposit slips;
- 15 (vi) Bank reconciliations;
- 16 (vii) Check book register or listing;
- 17 (viii) Receipts listing;
- 18 (ix) Monthly financial reports;
- 19 (x) Payroll records;
- 20 (xi) Budget documents; and
- 21 (xii) Bids, quotes, and related documentation.

22 (B) These records shall be maintained for a period of at
 23 least ~~three (3)~~ four (4) years and ~~in no event~~ shall not be disposed of ~~prior~~
 24 ~~to being audited~~ before any required audit for the period in question;

25 (2)(A) ~~Permanent Semipermanent~~ Permanent Semipermanent
 26 records consist of: ~~journals, ledgers, subsidiary ledgers, minutes, and fixed~~
 27 ~~assets and equipment detail records,~~

- 28 (i) Fixed-asset records and equipment detail
 29 records;
- 30 (ii) Investment and certificate of deposit records;
- 31 (iii) Journals, ledgers, or subsidiary ledgers; and
- 32 (iv) Annual financial reports.

33 (B)(i) and These records shall be maintained by the water
 34 and sewer department for a period of not less than seven (7) years, ~~after~~
 35 ~~which the permanent records may be destroyed once an audit has been made of~~
 36 ~~the permanent records~~ and shall not be disposed of before any required audit

1 for the period in question.

2 (ii) For investment and certificate of deposit
 3 records, the seven (7) years of required maintenance will begin on the date
 4 of maturity.

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

6 (i) Minutes;

7 (ii) Employee retirement documents; and

8 (iii) Annual financial audits.

9 (B) These records shall be maintained permanently.

10 (b) When documents are destroyed, the department shall document the
 11 destruction by the following procedure:

12 (1) An affidavit is to be prepared stating which documents are
 13 being destroyed and to which period of time ~~is the period to which~~ they
 14 apply, indicating the method of destruction. This affidavit is to be signed
 15 by the department's employee performing the destruction and one (1)
 16 ~~commission~~ member of the governing body;

17 (2) In addition, the approval of the ~~commission~~ governing body
 18 for destruction of the documents shall be obtained and an appropriate note of
 19 the approval indicated in the ~~commission's~~ governing body's minutes along
 20 with the destruction affidavit. ~~Commission~~ Governing body approval shall be
 21 obtained ~~prior to~~ before the destruction.

22
 23 SECTION 11. Arkansas Code § 14-237-113 is amended to read as follows:

24 14-237-113. ~~Publication~~ Annual publication of financial statements.

25 (a)(1) The ~~operating authority~~ governing body of each municipal water
 26 or sewer department shall cause to be published ~~semiannually~~ annually a
 27 financial statement of the department, including receipts and expenditures
 28 for the period and a statement of the indebtedness and financial condition of
 29 the department. The financial statement shall be published one (1) time in
 30 ~~one (1) legal a newspaper of general circulation published~~ in the
 31 municipality ~~a financial statement of the water or sewer department including~~
 32 ~~the receipts and expenditures for that period and a statement of the~~
 33 ~~indebtedness and financial condition of the water or sewer department.~~

34 (2) The financial statement shall be at least as detailed as the
 35 minimum record of accounts as provided in this chapter.

36 (3) The financial statement ~~for the first six (6) months of the~~

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

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

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