Municipal Finance 101 Workshop
(5 Core Certification Hours)
Thursday, September 26, 2019
Wyndham Hotel – Silver City Rooms 1-4
North Little Rock, AR

9:00 a.m. – 9:05 a.m.  Welcome and Opening Remarks  Mayor Harold Perrin, League President
City of Jonesboro
Whitnee V. Bullerwell, Deputy Director
Arkansas Municipal League

9:05 a.m. – 9:30 a.m.  Relevant Legislative Updates  Mark R. Hayes, Executive Director
Arkansas Municipal League

9:30 a.m. – 10:30 a.m.  Tackling the Task of Creating Your City’s Budget
Karen Scott, Chief Financial Officer
Benton Utilities
Ember Strange, Finance Director
City of North Little Rock

10:30 a.m. – 10:45 a.m.  Break/Networking

10:45 a.m. – 11:30 a.m.  The Best Way to Complete and Adopt Your Budget
Mark R. Hayes, Executive Director
Arkansas Municipal League

11:30 a.m. – 12:00 p.m.  Collection of Online Sales Tax
Drew Smith, Asst. Admin., Sales & Use & Withholdings Tax Sections
Department of Finance and Administration

12:00 p.m. – 12:45 p.m.  Lunch

12:45 p.m. – 1:00 p.m.  Update on Accounting Handbook and Committee
Cindy Frizzell, Director of Finance and Program Rates, Arkansas Municipal League

1:00 p.m. – 1:15 p.m.  Overview of Municipal Revocation and Financial Information Report
Marti Steel, Deputy Legislative Auditor
Arkansas Legislative Audit

1:15 p.m. – 1:45 p.m.  The Top 10 Findings in Municipal Accounting by Legislative Audit
Tim R. Jones, CPA, CFF
Arkansas Legislative Audit

1:45 p.m. – 2:15 p.m.  Best Practices of Information Systems
Larry Doss, Supervising Senior Auditor
Arkansas Legislative Audit
<table>
<thead>
<tr>
<th>Time</th>
<th>Session Title</th>
<th>Presenter(s)</th>
<th>Organization(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2:15 p.m. – 2:45 p.m.</td>
<td>Budgeting for Information Systems</td>
<td>Chris Hartley, Chief Information Officer</td>
<td>Arkansas Municipal League</td>
</tr>
<tr>
<td></td>
<td>An Introduction to ACOOP</td>
<td>Carol Skill, ACOOP Coordinator</td>
<td>AR Division of Information Systems</td>
</tr>
<tr>
<td>2:45 p.m. – 3:30 p.m.</td>
<td>Cybersecurity and What it Looks Like/Feels Like To Be Hacked</td>
<td>Lee Watson, CEO</td>
<td>Forge Institute</td>
</tr>
<tr>
<td>3:30 p.m.</td>
<td>Concluding Remarks</td>
<td>Mark R. Hayes, Executive Director</td>
<td>Arkansas Municipal League</td>
</tr>
</tbody>
</table>
2019 Legislative Update

MARK R. HAYES
EXECUTIVE DIRECTOR, ARKANSAS MUNICIPAL LEAGUE
FINANCE 101 WORKSHOP
Act 822 –

Internet Sales Tax

• Retailers with no in-state physical presence will be required to collect Arkansas sales and use taxes on purchases.

• Requires marketplace facilitators, such as Amazon and eBay, to collect and remit the applicable Arkansas taxes on all sales conducted through the marketplace.

• Initial estimates project about $35 million a year more for the state and about $11 million more a year for cities and counties, but many believe those estimates are low and the actual amounts for cities and counties could be up to $20 million more per year.
Act 822 – Continued

Internet Sales Tax

• Applies to those retailers that meet at least one of two conditions:
  • Those that have gross revenue from any sales of products and services delivered into Arkansas that exceeds $100,000 in the previous calendar year or the current calendar year; or
  • Those that have sold goods and services for delivery into Arkansas in at least 200 separate transactions

• Provides that the tax collection responsibility would not be applied retroactively, and businesses are only subject to the act prospectively
Act 416 –

Motor Fuel Tax

• Raises the state gas tax by 3 cents-per-gallon
• Raises the diesel tax by 6 cents-per-gallon (effective Oct. 1)
• Adds an additional levy based on the average wholesale price of fuel
• Implements an annual registration fee of $200 for electric motor vehicles and $100 for hybrid motor vehicles
Act 416 – Continued

Motor Fuel Tax

- Transfers $35 million annually from casino revenues to the state’s transportation fund;
- Projected to raise an additional $95 million annually for the state and $13 million annually for cities and counties to use on local transportation projects;
- Institutes a new variable-rate formula that implements a tax of 1.6 percent of the average wholesale price of gas and 2.9 percent of the average wholesale price of diesel;
- Will be adjusted annually based on the calculation of the previous year, limits the increase to no more than 0.1 cent-per-gallon per year, and prevents the tax from dropping if the 12-month average wholesale price of fuel is less than the previous year
HJR 1018

Extension ½ cent sales tax

- Places a half-cent sales tax increase renewal on the 2020 ballot
- Continuation of half-cent sales tax for state highway system, county roads, and city streets
- Projected to raise approximately $205 million annually for state highways and $44 million annually for cities and counties
House Bills

An Act To Establish The Public Safety Act Of 2019; To Amend The Arkansas Public Safety Communications Act Of 1985; To Develop A Next Generation 911 System

• Creates the Public Safety Act of 2019, creating and assigning duties to the Arkansas 911 Board and establishing the Arkansas Public Safety Trust Fund.

• Amends various operations criteria for a public safety answering point or dispatch center.

• Increases a phone tax by .65 cents per month for each device, including tablets and others that use data. It will also add a 10% tax onto prepaid cellphones.

• In addition, the law aims to reduce the number of call centers, known as public safety answering points (PSAPs), from 127 to 77.

• It gives the Arkansas 911 Board the authority to provide funding to more or less PSAPs with a two-thirds vote.

Crump’s Law; The Law Concerning Paid Leave For Firefighters With Occupationaly Caused Cancer

- Firefighter (who is exposed to known carcinogens) diagnosed with “certain types” of cancer receive no less than 1,456 hours of leave (6-months) – in addition to accrued sick leave.
- “if at the time of employment the firefighter underwent a physical examination that did not reveal substantial evidence [of cancer]…”
- City has burden to disprove…How? Good question.
- Firefighter Cancer Relief Network

To Amend The Law Concerning The Annual Vacation Leave In A Municipal Police Department.

• Clarifies the police vacation statute ACA 14-52-106.
• Ensures the use of vacation days is approved by the Chief of Police.
• Unused leave may accumulate to a maximum allowed by ordinance.
• “the first day after the end of the term of service or retirement, an employee may be paid for his or her unused accumulated vacation leave at the employee's regular rate of pay, not to exceed the maximum allowance under ordinance of the municipality.”

An Act To Require All Open Public Meetings To Be Recorded.

• Requires “governing body” meetings to be recorded (audio, or audio and video).
• Recording must be retained for one (1) year.
• Does not apply to executive sessions or volunteer fire departments.
Senate Bills

An Act To Amend The Arkansas Municipal Accounting Law To Allow Municipalities To Accept Debit Card And Credit Card Payments

- Allows municipalities to accept debit card and credit card payments
- Authorizes municipalities to collect legal payments and associated costs through a debit card or credit card and assess a transaction fee
- Prohibits municipalities from assessing a transaction fee for payments made through credit or debit cards if the governing body of the municipality has included a transaction fee in the amount charged for a service or product
- *May have already had this authority but law makes it clear*
Act 1075 – SB409 – Senator Flippo and Rep. Richmond

To Allow For The Electronic Notification Of An Invitation For Bids And Electronic Submission Of Bids;

• First step in publishing notices online rather than in newspaper.
• Creates a state-wide system for selection of online notice providing vendors, as opposed to traditional newspaper.
• The system doesn’t currently do-away with newspaper notice, but it is intended to operate as a “trial” to see if it is a viable option.
• 3 vendors will be chosen by the State.

To Amend The Law Concerning Catastrophic Leave For Municipal Employees.

- Allows cities and towns to set up a Catastrophic Leave program, completely optionally.
- Previously, we had concerns that this topic was preempted by state statutes, in particularly as it relates to sick leave for Police and Fire.
Act 822 – SB576 – Senator Hester

An Act To Reform The Tax Laws Of The State (Marketplace Fairness by another name)

• Makes various changes to tax laws.
• Including those relating to remote sellers or facilitators of tangible property or digital products.
• Changes computation of sales receipts for certain entities and fees and taxes paid by car washes. (Please, hold the eye rolls).
Act 691 – SB348 – Senator Eads

An Act To Establish A Hard Cider Manufacturing Permit

• Creates a manufacturing permit for hard cider and adds hard cider to various licensing provisions relating to the sale of alcoholic beverages.
• Sets up a similar process wine licensing.
• Allows manufactures to sell on and off premises, and
• Allows for taste tests.
Act 1076 – SB411 – Senator Stubblefiled
Prohibit Sanctuary City Policies
Act 812 – SB492 – Senator Garner

An Act To Promote Hospitality And Tourism; To Establish Areas Of A City Or Town That Highlight Restaurant, Entertainment, And Hospitality Options

- Empowers municipalities to designate entertainment districts authorized to sell alcoholic beverages.
- Permits a person to possess alcoholic beverage off premises in such districts.
- Must have an A&P Tax in place first.
- Must be in commercial districts.
- Must be in “wet” counties.
An Act To Create The Arkansas Firefighter Cancer Relief Network Trust Fund

• Creates the Arkansas Firefighter Cancer Relief Network Trust Fund to allocate donated funds for relief of firefighters diagnosed with cancer.
• Intended to fund Crump’s law,
• Its expected to receive a state appropriation to start the process.
• Provide a tax credit to an entity that donates to the Arkansas firefighter cancer relief network trust fund.
Bills that didn’t pass...
Defeated - Sales Tax Cap (never filed)

A bill that would have put a limit on the sales taxes in place for municipalities

- Originally, included A&P Taxes, Bond Taxes, and all Taxes.
- Through the various negotiations on the roads funds, and other sales tax bills, this bill was never filed.
That’s a Wrap!

Questions?

• Presented By:
• Mark R. Hayes
• Executive Director, Arkansas Municipal League
• mhayes@arml.org
Tackling the Task of Creating Your City’s Budget

Arkansas Municipal Finance 101 Workshop
September 26, 2019
Budget Management - Revenues

- Analysis of Trends -
  - Sales tax
    - Trend data available
    - DF&A Revenue Forecasts & Monthly Reports
  - Property tax
    - Communication with County Assessor & Collector
- Are Revenues Covering Program Costs
  - Animal Control
  - Parks
  - Sanitation
Revenues (cont.)

- Missed Opportunities -
  - Franchise Fees (audits)
  - Rental Income
  - Code Enforcement
  - Business Licenses
  - Police Expense Refunds (reimbursements for overtime)
  - Excessive Burglar Alarms
  - Fire Alarms

- FEMA Funds
  - Organized Coordination of Efforts - administrative, fiscal, public safety, public works
  - Diligence
Budget Management - Expenditures

- Fixed Costs
  - Debt Service (low interest rates attractive - Amendment 78)
- Legal Obligations
  - Memorandums of Understanding with Other Agencies (jails, health departments, district judges, 911/Emergency Services)
- Personnel
  - Collective Bargaining Units/Agreements
  - Eliminate Positions Through Attrition
  - Outsourcing
  - Shift Duties
  - Review Current Staffing/Work Load
Expenditures (cont.)

- Capital Expenses
  - Construction Projects
  - Vehicles
  - Analyze Cost to Replace vs. Cost to Maintain (mileage, age of fleet, replacement parts)
  - Lease vs. Purchase
- Operational Expenses - providing basic services to citizens or going above and beyond?
Grants

Advantages
- Without grant funding, many projects/purchases do not happen
  - Streets - AHTD
  - Personnel - US Dept. of Justice, FEMA

Disadvantages
- Many times match is required
- Many personnel grants do not allow eliminating those positions after grant funding has expired
Across-the-Board Budget Cuts

- **Advantages**
  - Easy Math

- **Disadvantages**
  - Almost Impossible - Personnel = 75% of Total Expenditures
  - Doesn’t Reward Department Heads/Managers - Budget Management and Fiscal Responsibility
Reduction in Force Policy

- Have a Policy in Place in Your Employee Handbook
  - Makes personnel cuts during a crisis purely objective instead of subjective
  - Examples: point system - awards points based on years of service, years in position, education, etc.

- Cities of 20,000 to 75,000
  - ACA 14-50-302 - department heads
  - ACA 14-50-312 - other personnel
Future Planning

- Budget More Conservatively
  - Do not budget revenues that are not realistic
  - Transparency - better headlines when revenues and expenditures are within budget, rather than outside of budget
Utilities Budgeting

- Use historical data to make revenue projections - weather trends
- Anticipate changes - residential and/or commercial growth or reduction
- Staffing requirements
- Routine maintenance requirements
- Environmental regulations - ADEQ, etc.
- Personnel costs - retirement plans, health insurance, other employer-paid benefits, employee leave policies
Routine Maintenance vs. Capital Projects

- Prepare 5- and 10-year plans outlining routine maintenance and large capital projects
- Vehicle & equipment lists - age of assets - maintenance costs vs. replacement
- Identify funding sources - regular rates, rate increases, bond issues
- Normally requires some assistance from engineers
- Examples: faulty meter replacements vs. new, modern meters; sewer line repairs vs. pipe bursting; utilizing current plant vs. upgrade or replacement of plant
Debt Service

- Always budget payments for existing debt service requirements first
- Should additional funds be needed for projects - issue additional debt?
- Restructure/refund existing debt
- Use professionals to assist with calculations and process - underwriters and bond counsel
- Rating agencies
- Normal bond issue vs. private placement
- Tax exempt status
- Requirements of most bond issues - debt service reserve accounts, depreciation funds, annual debt service coverage
Rate Analysis

- Rate studies analyze and identify whether or not rates are sufficient and properly structured
- Customer charge vs. consumption
- Are some customers subsidizing others?
- Separate meters for sprinkler, swimming pools
- Can assist when rate changes are needed - public relations and communication with customers and city council/board
Questions??
Completing and Adopting Your Budget

Mark R. Hayes
Executive Director
Arkansas Municipal League
(501) 978-6102
September, 2019
A Cautionary Tale

“A budget tells us what we can’t afford, but it doesn’t keep us from buying it.”

William Feather
Resolution or Ordinance?

- No Difference Legally: resolution or an ordinance to adopt budget
- Resolution is the preferred: easier to adopt and amend.
- Sample resolution: packet and web.
SAMPLE

Resolution for the Adoption of the Municipal Budget

Resolution No._____

A RESOLUTION PROVIDING FOR THE ADOPTION OF A BUDGET FOR THE CITY (OR TOWN) OF______, ARKANSAS, FOR THE TWELVE (12) MONTHS BEGINNING JANUARY 1, 20____ AND ENDING DECEMBER 31, 20____, APPROPRIATING MONEY FOR EACH ITEM OF EXPENDITURE THEREIN PROVIDED FOR, AND FOR OTHER PURPOSES.

WHEREAS, the City (or Town) Council has made a comprehensive study and review of the proposed budget submitted by the mayor, and:

WHEREAS, it is the finding and conclusion of the City (or Town) Council that the schedules and exhibits of anticipated revenues and expenditures for the calendar year appear to be as accurate as possible for budgetary purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY (OR TOWN) COUNCIL OF______, ARKANSAS:

Section 1. This resolution shall be known as the budget resolution for the City (or Town) of______, Arkansas, for the twelve (12) month period beginning January 1, 20____ and ending December 31, 20____. The attached budget, incorporated herein as if set out word for word and figure for figure, reflects estimated revenues and expenditures as set forth on the preceding pages.

Section 2. The respective funds for each item of expenditure proposed in the budget for 20____ are hereby approved and adopted for the operation of the City (or Town) of______, Arkansas, by the City (or Town) Council on this date and constitute an appropriation of funds which are lawfully applicable to the items contained within the budget. This budget may be altered or revised by action of this governing body and

NOTE: If this resolution is used as presented it must include the budget document. The resolution should be at the beginning of the budget document.

Because the Arkansas Municipal League (AML) cannot anticipate when every city (or town) will pass its budget, an option the following emergency clause is included in this footnote. This language should be added to the resolution if an emergency is to be declared:

A. After footnote 2 add: DECLARING AN EMERGENCY

B. After Section 4 add: Section 5. WHEREAS, the efficient operation of municipal government requires that a budget be planned and adopted by the governing body, and that without a budget the city (or town) may not pay its bills, debts or liabilities; now, therefore, an emergency hereby declared to exist and this resolution being necessary for the preservation of the public peace, health and safety shall take effect and be in force from and after its passage and approval.
The Complete Process

• Pre-submission information gathering – Summer through December 1.

• Mayor’s budget submission deadline – December 1st.

• Council approves the next year’s budget – December or early January at the latest.

• Revision and amending the budget – Periodically or year end.

• On or before December 1 of each year, the mayor of all cities and incorporated towns having the mayor-council form of government shall submit to the governing body of the city or town, for its approval or disapproval, a proposed budget for operation of the city or town from January 1 to December 31 of the forthcoming year.
Proposed

• Merriam-Webster

• 1: to form or put forward a plan or intention

• 2 obsolete: to engage in talk or discussion
Accept

• Merriam-Webster
  • to give admittance or approval to
  • to make a favorable response to
Amend

• Merriam-Webster
• 1: to put right especially : to make emendations in (something, such as a text)
  • amended the manuscript
• 2a: to change or modify (something) for the better : IMPROVE
  • amend the situation

  *(Negotiation 101: offer and acceptance or offer and counter offer)*
When to Start the Budget Process?

- As early as possible.
- Consider a “6-month rule.”
  - Every 6 months: starting the budget process, or submitting the budget.
- Mayors: remember 12/1 submission deadline.
  - Prepared in November.
- Start the budget process in June/July.
- Not last minute. Needs study.
Initial Budget Draft

- Mayors, while drafting:
- Get department head input.
- Get Council input. (Public Meeting)
- Get Clerk/Recorder/Treasurer input.
- **LISTEN TO THE FEEDBACK.**
- Get the final draft to the Council early!
Drafting the Initial Budget: Revenues

- Track all revenue (source: clerk/recorder/treasurer)
  - Review current revenue and anticipated.
- Revenue boils down to unrestricted and restricted.
- City services derive from the budget not vice versa.
Understand City Monetary Restrictions…

- The budget appropriation *is not a forecast* of the amount the municipality expects to spend; *it is the maximum* amount that it is allowed to spend.

- Just because a department is under budget, but asking for more revenue does not mean anything other than they followed the law, but need a larger budget to provide high level of services to your municipality.
Spend Only What’s in the Budget


- (a) The approval by the municipal governing body of the budget under this subchapter shall, for the purposes of the budget from time to time amount to an appropriation of funds which are lawfully applicable to the items therein contained.
So if it hasn’t been appropriated…

• …*Then it shouldn’t be spent.*

• AGAIN: NO APPROPRIATION; NO SPENDING

• If it got spent anyway, amend the budget before the end of the year.

• If you don’t do it by the end of the year, do it ASAP!
Pay Your Officials!

- **14-43-313. City clerks and attorneys generally.**
  - “The city clerks and the city attorneys in cities of the first class **shall** …receive **such salary as is prescribed by ordinance** in each of these cities.”

- **14-43-316. City clerk, treasurer, or clerk-treasurer in mayor-council cities of fewer than 50,000. (first class only per (a))**
  - (c) The city clerk and city treasurer, or city clerk-treasurer…**shall** receive a salary **as is prescribed by ordinance** in each of these cities.

- Cities of the second class and incorporated towns…lucky you!
Emergency Funds

• As part of a **forward thinking** municipality, the municipality might set up a “rainy day” fund.

• **Emergencies happen** and the city can begin establishing an emergency fund for these unforeseeable concerns.

• Remember, you’re not only worried about the city for this year, but you’re concerned about the **next five years**, the next decade and beyond.
Discussing the Budget

- Budgeting is political
- Budgets control spending
- Budgeting creates debate *not conflict*
- Budgeting reflects organizational culture
- Budgeting involves balancing values
Communication is Key

• This includes municipal employees, businesses, citizens, council members, the mayor, administration, and more.

• These groups are all going to bring a differing perspective that you as city officials should consider.

• Remember, just because you disagree with them doesn’t mean they aren’t providing meaningful information for the budget process.
Real Talk

• Agree to disagree.
• Value of service and projects differ from person to person.
• Deadlocked council via: council/mayor fight, mayor/clerk fight, council/department fight….or any other combination thereof is:
  • A failure to meet the responsibility of the office.
  • Immature.
  • Damaging to the cities reputation.
  • And a thousand other bad things.
Real Talk

- Majority rule wins.
- Don’t pout/retaliate/fight etc. etc. etc..
- Healthy debate!
- Follow the rules!
Changes to the Plan and Budget…What you MAY do


• (b) The governing body *may alter or revise* the budget and unpledged funds appropriated by the governing body for any purpose may be subsequently, by action of the governing body, appropriated to another purpose, *subject to the following exceptions*.

• (And, of course, purpose means *public* purpose!)
Changes to the Plan and Budget...What you should BE CAREFUL about before you do

  • (1) Funds resulting from taxes levied under statutes or ordinances for specific purposes may not be diverted to another purpose;
  • (ILLEGAL EXACTIONS!!!)
  • (2) Appropriated funds may not be diverted to another purpose where any creditor of the municipality would be prejudiced thereby.
  • (CONTRACT LAWSUITS!!!)
Amending the Budget

- Your budget is likely to change throughout the year as you notice different results from your predictions.
- If the council is approached “before” the over-expenditure occurs, the council has a chance to make the following choices:
  - Increase the budget
  - OR  Control/reduce expenditures
Amending the Budget

• How often do you want to review the budget throughout the year?
  • Yearly? This means a large amendment at the end of the year to “fix” the budget
  • Quarterly?
  • Monthly?
The Role of the Mayor…

• Report, report, report!
• “Within the first 90 days of the year…” A.C.A. §§14-43-504 and 14-58-302.
• I suggest monthly financial reports.
• What do you do?
• Monthly, weekly…
• The better informed the council is, the better the budget.
• (and don’t forget: submit your budget!)
First Class City “Maximum Amount” Statute:

- In a city of the first class, the mayor or his duly-authorized representative may approve for payment out of funds previously appropriated for that purpose, or disapprove, any bills, debts, or liabilities asserted as claims against the city.

- The municipal governing body shall, by ordinance, establish in that connection a maximum amount, and the payment or disapproval of such bills, debts, or liabilities exceeding that amount shall require the confirmation of the governing body.
  - Ark. Code Ann. § 14-58-305. (Home Rule: likely all cities and towns can do this)
Limits on Mayor’s Spending Authority

• § 14-55-204 – appropriations require a majority vote of the council.
• § 14-58-203 – the budget is an appropriation.
• Basically, the budget (or possibly some other form of appropriation) sets the parameters for what the mayor may spend.
The Role of the Council...

- PASS THE BUDGET!
- Be well informed: read the financial statements early and often.
- Ask the mayor for specific department needs.
- Look at long term plans and needs.
- Meet and study long before the date of passage.
The Role of the Clerk/Recorder/Treasurer…

• Support, Record-keeping and Checks and Balances!
• It should go without saying that your financial officers, and primary city administrators will have a different perspective than all other officials.
• They will see more of the input/output of the budget than the other officials, and should be involved in the process from day 1.
The Role of the Clerk/Recorder/Treasurer…

• Authorizes electronic distribution of funds by private person/entity (payroll)
• Requires ordinance dictating a method accounting control, documentation etc.
• Requires city to ensure the private person/entity is insured, bonded and uses best practices
• Treasurer must still approve disbursement before funds are dispersed
FLSA Danger Points

- Work Week (uniform non-uniform)
- New salary rule
- Uniform vs Non-Uniform employees (pay rules)
- Exempt vs Non-Exempt
- Comp Time
- [https://www.arml.org/static/arml/21_Things_You_Should_Know.pdf](https://www.arml.org/static/arml/21_Things_You_Should_Know.pdf)
Final thoughts on the FLSA …

- Police and Fire specialty statutes…
- Holiday Pay
- Sick Leave
- Vacation Leave
- Know the statutes.
- Check and double-check
Final Considerations

• Your city must make one final budget consideration:
  
  • *Line item v. General budgets*
  
  • Line items give ultimate control to the council, but will require many more meetings and repeated amendments throughout the year to maintain the system.
  
  • General budgets will put more discretion in the mayor’s hands, but will require less meetings and oversight by the council.
Final Considerations

• A large topic when considering line item v. general budgets is how do you want to set salaries?

• Do you want the council dictating each employee’s salaries, or do you want to provide your departments with a general operating budget that they can work with?

• There’s no right answer but you need to keep in mind the pros and cons of each system.
Future Considerations

• Craft a long term strategy. What are your long term goals financially for the municipality?

• By developing specific goals and objectives, the budget process logically follows by attaching financial resources to the goals.

• Draft goals can be prepared by the governing body or mayor, and presented through a **public participation process**. Goals communicate your community visions, desires and promises, and set the tone for the future budgets.
Future Considerations

• Try to stay focused on providing a great one year budget, with an eye toward three or five year plans for the city.

• Do you want to revitalize the public parks, downtown, improve infrastructure?

• You don’t accomplish that all in one budget, you can do it pieces at a time and slowly build up a long term budgeting strategy to accomplish the goals you set.
Future Considerations

• As you set your future strategies and goals, and begin budgeting for the future keep in mind those items which are sure to impact the city.

• Retirement funds/liabilities for city officials. Are you prepared to fund a statutory retirement for a mayor/clerk/recorder/treasurer?

• Do we have debt payments looming? Are we keeping pace with these payments?

• How much should we set aside to offset this future liability?
Other Resources

- ARML Publications – FAQs, Accounting Handbook, and Other Timely Topics
  - https://www.arml.org/services/publications/publications-for-free
  - Pay particular attention to budgets, debt, accounting, and bidding.
Final thoughts?

Mark R. Hayes
Executive Director
Arkansas Municipal League
(501) 978-6102
September, 2019
Online Sales and Use Tax Collections
South Dakota v. Wayfair – The Decision

• U.S. Supreme Court on June 21, 2018 issued its decision in Wayfair that overturned a physical presence requirement for sales/use tax collection

• Court specifically held:
  • “…the Court concludes that the physical presence rule of Quill is unsound and incorrect. The Court’s decisions in Quill Corp. v. North Dakota, 504 U. S. 298 (1992), and National Bellas Hess, Inc. v. Department of Revenue of Ill., 386 U. S. 753 (1967), should be, and now are, overruled.”
South Dakota v. Wayfair – The Decision

• The Court addressed the requirement that a taxpayer have “substantial nexus with the taxing state” before the taxpayer can be subject to a state’s tax

• South Dakota’s $100,000 in sales or 200 transactions held by the Court to be sufficient because “the seller availed itself of the substantial privilege of carrying on a business in South Dakota”
Arkansas – Impact

• Can Arkansas Require Remote Seller Collection?
  • Bureau of Legislative Research – Additional Legislation Needed
    • SB140 of 2017 – Failed to Pass
    • 2019 Leg. Session – Ask and you shall receive.
      • SB576 of 2019 which became ACT 822

• Arkansas Tax Reform and Relief Legislative Task Force
  • Revenue Priorities – Marketplace Facilitators, Car Washers Exemption
    #1 Collection of Sales and Use Tax by Remote Sellers
Guidance for Remote Sellers
Sales and Use Tax

Administers the interpretation, collection and enforcement of the Arkansas Sales and Use tax laws. This includes Sales, Use, Aviation Sales and Use, Mixed Drink, Liquor Excise, Tourism, Short and Long Term Rental Vehicle, Short Term Rental, Residential Moving, Beer Excise and City and County Local Option Sales and Use Taxes.

If you have questions or concerns regarding the interpretation, collection, and/or enforcement of Sales and Use Tax laws of another State, District, or Territory of the United States then please see the link provided below.

- Remote Sellers
- Other State Tax Agencies
DFA Web Site Remote Seller Information

www.dfa.arkansas.gov

• Resources Available for Remote Sellers

  • Arkansas Remote Seller Frequently Asked Questions (FAQs)
  • Arkansas Sales and Use Tax Frequently Asked Questions (FAQs)

• Apply for an Arkansas Sales & Use Tax Permit
  • Remote Seller Simplified Process

• Register to Collect Sales Tax in Multiple States through the Streamlined Sales Tax Registration System
What is taxable in Arkansas?

Arkansas State Sales and Use Tax Rate(s)

Arkansas City and County Sales and Use Tax Rates

Tax Rate Lookup

Supreme Court of the United States Opinion on South Dakota vs. Wayfair
Arkansas Taxpayer Access Point (ATAP)
Applying with AR as a Remote Seller

• Two methods to choose from
  • Arkansas Taxpayer Access Point (ATAP) - Remote Seller Simplified Process
  • Streamline Sales and Use Tax Agreement
Applying via ATAP
A remote seller is a business selling into Arkansas that does NOT have a retail store, warehouse, inventory, or a presence of traveling salespeople or representatives within the State of Arkansas. You may also be registering for a tax account to collect Arkansas Sales/Use Tax as a result of the United States Supreme Court decision in *South Dakota v. Wayfair, Inc.*, No. 2017 S.D. 56, 2017 WL 4051564 (S.D. September 13, 2017)

**Id and Name**

- **Ownership Type**: Required
- **ID Type**: Federal Employer ID
- **FEIN**: Required
- **Legal Business Name**: Required
- **DBA Name**: 

**Remote Seller Registration**
Non-Qualifying Remote Seller App’s.

<table>
<thead>
<tr>
<th>Physical Location Address</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Street (No PO Box)</strong></td>
</tr>
<tr>
<td><strong>Unit Type</strong></td>
</tr>
<tr>
<td><strong>Unit</strong></td>
</tr>
<tr>
<td><strong>City</strong></td>
</tr>
<tr>
<td><strong>State</strong></td>
</tr>
<tr>
<td><strong>County</strong></td>
</tr>
<tr>
<td><strong>Zip Code</strong></td>
</tr>
</tbody>
</table>

*If you have an Arkansas address, please cease this Remote Seller registration and indicate you are not a Remote Seller to complete the New Business Registration.*

**Validate Address**

**Do you have a different mailing address?**

- No
- Yes
Applying via SSTRS

- This link is also provided on the Departments website through the “Remote Sellers FAQ’s” and other helpful information for Remote Sellers.
  - [https://www.sstregister.org/](https://www.sstregister.org/)
Streamlined Sales Tax Registration System (SSTRS)

Please Read Before Beginning Your Registration!

By completing this registration:

- You are registering to collect, report and pay sales and use tax in ALL Streamlined Full Member States and any selected Streamlined Associate or Contingent Member State.
- You will be responsible for filing and paying sales tax directly to each state, unless you indicate in your registration that you do not have sales in that state and you have no legal requirement to file in that state.

Do Not complete this registration if:

- You do not want to register in ALL Streamlined full member states. Instead, submit an application directly to each state in which you want to register.
- You plan to use a Certified Service Provider (CSP) to help you calculate, file and remit tax. Instead, contact the CSP. The CSP will register your business for you. If you continue with this registration you will need to file returns to each state until you have a contract with the CSP.

Important: Except for states offering amnesty, registering through this system does not relieve you of any tax liability you may have relating to prior sales or purchases.

I Want to Register Through Streamlined Sales Tax

I Want to Update My Existing Registration
### Recent Periods

<table>
<thead>
<tr>
<th>Period</th>
<th>Balance</th>
<th>Return Status</th>
<th>Message</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Dec-2017</td>
<td>$0.00</td>
<td>Outstanding</td>
<td>File Return</td>
</tr>
<tr>
<td>30-Nov-2017</td>
<td>$0.00</td>
<td>Overdue</td>
<td>File Return</td>
</tr>
<tr>
<td>30-Jun-2017</td>
<td>$0.00</td>
<td>Overdue</td>
<td>File Return</td>
</tr>
<tr>
<td><strong>31-May-2017</strong></td>
<td>$0.00</td>
<td>Overdue</td>
<td>File Return</td>
</tr>
<tr>
<td>30-Apr-2017</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>31-Mar-2017</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>28-Feb-2017</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>31-Jan-2017</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>31-Dec-2016</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>30-Nov-2015</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>31-Oct-2016</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
<tr>
<td>30-Sep-2015</td>
<td>$0.00</td>
<td>Cntime-Processed</td>
<td></td>
</tr>
</tbody>
</table>

To file the May 2017 return, click the File return for 31-May-2017 Account Alert link; the 31-May-2017 Period link; or the File Return link.
Step 1: Enter Tax Information
- Click Step 1 (State Tax 6.5000%)
- and enter the Taxable Sales for the May 2017 tax period

Step 2: Local Sales and Use Selection
- Click Step 2 (Local Tax Selection), choose the method to enter local tax, and enter the Taxable Sales for each local and click OK

Step 3: Summary - Net Tax Due
- Click Submit to file the Return
Other Website information available


- Arkansas Taxpayer Access Point (ATAP) - [https://atap.arkansas.gov/](https://atap.arkansas.gov/)

- City and County Sales Tax Rates and Tax Rate Look-up Tool -
  [https://www.dfa.arkansas.gov/images/uploads/exciseTaxOffice/cityCountyTaxTable.pdf](https://www.dfa.arkansas.gov/images/uploads/exciseTaxOffice/cityCountyTaxTable.pdf)


- Voluntary Disclosure Program - [https://www.dfa.arkansas.gov/field-audit/voluntary-disclosure-program/](https://www.dfa.arkansas.gov/field-audit/voluntary-disclosure-program/)

- Tax Clearance or Certificates of Tax Standing – 501-682-7104

- NAICS Collection Data and many other links and helpful information. - [https://www.ark.org/dfa/localtaxes/index.php](https://www.ark.org/dfa/localtaxes/index.php)
Other State Agencies

- Taxpayers that have questions or concerns regarding the interpretation, collection, and/or enforcement of Sales and Use Tax laws of another State, District, or Territory of the U.S. then they can access the Other State Tax Agencies Lookup Table from the website also.
Collections and Reporting

• Remote Seller/Marketplace Facilitator permitting and fund distribution methods.

• How those collections are reported by the DFA to the State Treasurer’s office.

• Collections Statistics – NAICS code data and Business Listing reports
Contact Information

- Phone: (501) 682-7104
- Email: sales.tax@dfa.arkansas.gov
Arkansas Municipal League

Municipal Finance 101 Workshop

September 26, 2019
Top 10 Municipal Findings in ALA Reports
Context

- 500 Municipalities
- 460 use ALA (2018 engagements)
- 40 hire private CPAs
Context (Continued)

Municipal Audit Work Not Performed by ALA

- Water and Sewer
- Federal Compliance
List is based on 2017 reports and include 1st and 2nd class cities and incorporated towns.
1. Budgets

➢ Failure to prepare

➢ Failure to adopt by ordinance or resolution

➢ Expenditures exceed budget

ACA §§ 14-58-202, -203
2. Bank Reconciliations

- Failure to prepare
- Inaccurate
- Lack of review by someone other than the preparer

ACA § 14-59-108
3. Fixed Assets

- Failure to prepare a list
- Inaccurate
- No policy adopted by council
- Additions/deletions not authorized

ACA § 14-59-107
4. Police/Court

- Ending bank balance unidentified
- Deposit errors (not intact/timely)
- Inaccurate settlements

ACA §§ 16-10-201 – 211
4. Police/Court (Continued)

- Citations not entered into system
- Citations not reconciled to court
- Failure to appoint collector of fines

ACA §§ 16-10-201 – 211, 16-13-709
5. Errors in Financial Records

- Material misstatements
- Errors in Receipts/Disbursements
- Journals

ACA §§ 14-59-110, 111
6. Misuse of Restricted Funds

- Street turnback & property taxes
- Other (sales and property taxes)

ACA §§ 14-59-104, 26-79-104, 27-70-207
7. Payroll Taxes

➢ Failure to withhold/remit to IRS/DFA
➢ Failure to submit tax forms (W-2/941)
➢ Money owed to IRS/DFA
8. Review of Prior Report

- Report not Reviewed
- Review not documented in minutes

ACA § 10-4-418
9. Receipts

➢ Prenumbered Receipts not Issued
➢ Receipts not deposited intact/timely

ACA § 14-59-109
10. Water/Sewer Audits

➢ Audit or AUP & Compilation not Obtained

ACA § 14-234-119

Note: ACA § 14-234-120 requires accountant to send ALA report within 30 days of completion
Honorable Mention

Arkansas Constitution Article 12, sec. 5

A city or a town may not become a stockholder in, appropriate money for, or lend credit to private corporations or individuals.

- Exception for Economic Development
Honorable Mention (Continued)

➢ Undocumented or Inadequately Documented Expenditures

ACA § 14-59-105
Honorable Mention (Continued)

➢ Shortages
  ➢ Undeposited Receipts
  ➢ Unauthorized Disbursements
    ➢ Checks
    ➢ Credit Cards
    ➢ EFTs
Honorable Mention (Continued)

➢ Ethics

➢ Officials or Employees doing Business with the City Without an Authorizing Ordinance

ACA §§ 14-42-107, 21-8-304
Honorable Mention (Continued)

➢ No Bids for Expenditures > $20K
  ➢ ACA § 14-58-303

➢ Information Systems
  ➢ No DRP or BCP
  ➢ Inadequate Passwords
  ➢ Inadequate Remote Access Controls
ACA § 14-59-117

Withholding TB for noncompliance w/MAL

- ALA or Private Acct notifies LJAC
- LJAC notifies City
- 60 days, 50% TB withheld
- 120 days, 100% TB withheld
- 6 months, TB redistributed

No TB until in compliance.
Noncompliance catching the Attention of ALA

- Noncompliance with codes that affect the ability of the Council to make informed decisions
  - Financial records
  - Financial statements
  - Financial reports
Resources

- Legislative Audit website
  (www.arklegaudit.gov)
  - “Resources” tab
  - “Our Reports” (Audit reports)
- Municipal League website
  (www.arml.org)
  - Handbook for Arkansas Municipal Officials ($100)
  - Mun Acctg Handbook (Free)
- State website (www.arkansas.gov)
Questions

- tim.jones@arklegaudit.gov
- 501-683-8600
Information Systems
Best Practices
September 26, 2019
IS Best Practices - Why

- To provide practical information about internal controls
- Learn from others’ experiences
- Better prioritize and allocate resources
- Confidentiality, integrity, availability
IS Best Practices - Purpose

Compiled to “provide practical information about internal controls and encourage entities to develop, implement, and maintain IS policies and procedures that conform to current best practices.”
# IS Best Practices - Risk

![Risk Matrix]

## Risk Matrix

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Negligible</th>
<th>Minor</th>
<th>Moderate</th>
<th>Significant</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Likely</td>
<td>Low Med</td>
<td>Medium</td>
<td>Med Hi</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Likely</td>
<td>Low</td>
<td>Low Med</td>
<td>Medium</td>
<td>Med Hi</td>
<td>High</td>
</tr>
<tr>
<td>Possible</td>
<td>Low</td>
<td>Low Med</td>
<td>Medium</td>
<td>Med Hi</td>
<td>Med Hi</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Low</td>
<td>Low Med</td>
<td>Low Med</td>
<td>Medium</td>
<td>Med Hi</td>
</tr>
<tr>
<td>Very Unlikely</td>
<td>Low</td>
<td>Low</td>
<td>Low Med</td>
<td>Medium</td>
<td>Medium</td>
</tr>
</tbody>
</table>

- **Very Likely**: Events very likely to occur, with significant impact.
- ** Likely**: Events likely to occur, with high impact.
- **Possible**: Events possible to occur, with medium impact.
- **Unlikely**: Events unlikely to occur, with low impact.
- ** Very Unlikely**: Events very unlikely to occur, with negligible impact.

*Color Coding:*
- Green: Low
- Yellow: Medium
- Orange: High

*Likelihood Scale:*
- Very Likely
- Likely
- Possible
- Unlikely
- Very Unlikely

*Impact Scale:*
- Negligible
- Minor
- Moderate
- Significant
- Severe
IS Best Practices - Sources

- COBIT
- FISCAM
- GAGAS (Yellow Book)
- OMB A-133
- GAO-14-704G (Green Book)
- PCI DSS
- NIST SP-800 series
Two Major Control Categories

- **General controls** apply to all systems components, processes, and data for a given organization or systems environment.

- **Application controls** (a.k.a. business process controls) pertain to the scope of individual business processes or application system.
General Controls

- Also known as infrastructure controls
- Apply to all systems components, processes, and data for a given organization or systems environment
- Include information security policy, administration, access, and authentication; separation of key IT functions; management of systems acquisition and implementation; change management; backup; recovery; and business continuity
General Controls

- IS Management
- Contract/Vendor Management
- Network Security
  - Wireless Networking Security
  - Physical Access Security
  - Logical Access Security
- Disaster Recovery/Business Continuity
Application Controls

- Pertain to the scope of individual business processes or application systems
- Include data edits, separation of business functions, balancing of processing totals, transaction logging, and error reporting
Application Controls

- Data Input
- Data Processing
- Data Output
- Application-Level General Controls
Other Technology

- Electronic Signatures and Digital Signatures
- Payment Cards (Debit or Credit)
- Bring Your Own Device (BYOD)
- Electronic Banking
Top risks from internet

- Ransomware
- Phishing
- Data leakage
- Hacking
- Insider threat
Ooops, your files have been encrypted!

What Happened to My Computer?
Your important files are encrypted.
Many of your documents, photos, videos, databases and other files are no longer accessible because they have been encrypted. Maybe you are busy looking for a way to recover your files, but do not waste your time. Nobody can recover your files without our decryption service.

Can I Recover My Files?
Sure. We guarantee that you can recover all your files safely and easily. But you have not so enough time.
You can decrypt some of your files for free. Try now by clicking <Decrypt>.
But if you want to decrypt all your files, you need to pay.
You only have 3 days to submit the payment. After that the price will be doubled.
Also, if you don’t pay in 7 days, you won’t be able to recover your files forever.
We will have free events for users who are so poor that they couldn’t pay in 6 months.

How Do I Pay?
Payment is accepted in Bitcoin only. For more information, click <About bitcoin>.
Please check the current price of Bitcoin and buy some bitcoins. For more information, click <How to buy bitcoins>.
And send the correct amount to the address specified in this window.
After your payment, click <Check Payment>. Best time to check: 9:00am - 11:00am GMT from Monday to Friday.

Send $300 worth of bitcoin to this address:

12t9YDPgwueZ9NyMgw519p7AA8isjr6SMw

Contact Us
Dear Client,

We have sent you this e-mail, because we have strong reason to believe, your account has been used by someone else. In order to prevent any fraudulent activity from occurring we are required to open an investigation into this matter. We've locked your Amazon account, and you have 36 hours to verify it, or we have the right to terminate it.

To confirm your identity with us click the link below:

https://www.amazon.com/exec/obidos/sign-in.html

Sincerely,

The Amazon Associates Team

© 1996-2013, Amazon.com, Inc. or its affiliates
Breach Notification

• A.C.A. § 4-110-105 Disclosure of security breaches.

(a) (1) Any person or business that acquires, owns, or licenses computerized data that includes personal information shall disclose any breach of the security of the system following discovery or notification of the breach of the security of the system to any resident of Arkansas whose unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person.
28% Data Breaches
Insiders

72% Outsiders

76% Compromised Data
23%
Signs of Cyber Attack

- Ransomware message
- Strange network traffic
- Computer/Server running very slow
- Your mouse/pointer moves on your screen intelligently on its own.
- Pop up ads
- Contact from ISP informing you malicious traffic originating from you
How to Respond to a Cyber Attack

• Remove the source of the connection
• Shut down the computer
• Run an anti-virus/spyware scan
• Warn e-mail contacts not to open e-mails or click on links as they may be compromised.
Protections

- Staff awareness: staff should be wary of unsolicited emails, particularly those that ask for a prompt response.
- Malware protection: install and maintain good anti-virus and malware protection software.
- Software updates: keep your applications up to date.
- Data backups: a series of well managed data backups will allow you to recover from an unencrypted version of a file. Make sure you regularly test your backups.
- Consider Cybersecurity insurance
- Ensure mobile devices have passcode locks.
- Turn on the tracking by GPS and the option to remotely wipe the device if it is lost.
- The use of encryption software is highly recommended when using portable storage devices.
The primary methods to protect yourself from hacking are network firewalls, data access security, procedures for providing and removing access, and user awareness and training.

Educate your team to be alert to issues and minimize careless mistakes.

Keep an eye on your mobile devices (phones, laptops, hard drives, thumb drives).

Limit how much data staff has access to. The principle of ‘least privilege access’ should apply to all IT systems. Only provide staff with the minimum access they need to do their roles.

Control the use of portable storage devices, such as USB memory keys, portable hard drives and media players.

Consider using applications in certain situations to monitor staff behavior – who copies what.

**Implement IS Best Practices to the extent possible**
Recent Headlines

- May 2019 – Baltimore; no ransom paid, cost over $18 million to recover
- June 2019 – 3 Florida cities; over 1 million ransom paid
- August 2019 – 23 Texas cities; coordinated attack – no ransom paid
- August 2019 – Hacker stole $4.2 million from Oklahoma Law Enforcement Retirement System
Chris Hartley
Chief Information Officer
Arkansas Municipal League
501-978-6106
chartley@arml.org
18 years at the league

Responsible for all things IT

League Operations/Risk Pools
IT in a Box
Modern IT services meeting the needs of Arkansas towns & cities.

Sophicity
We put the IT in city
IT in a Box includes

Cybersecurity

Data Backup and Restore
IT in a Box includes

Modern Website

Business-Class Email
IT in a Box includes

Document Management

Video Archiving
IT in a Box includes

Procurement

IT Vendor Management

Policy and Compliance
IT in a Box includes

24x7x365 Helpdesk

Backed by AML
IT in a Box includes

Cybersecurity and Computer Maintenance
24x7 Helpdesk
Data Backup and Disaster Recovery
Records / Document Management and Email
Policy & Compliance
Vendor Management and Procurement
Website
Video Archiving

Who guarantees IT services based on your expectations?
WE DO!
But How Much Does IT Cost?
IT in a Box

AML has partnered with Sophicity to bring you some amazing discounts.

Onboarding is Free!
IT in a Box Gold

Features & benefits include:
- Cybersecurity & Computer Maintenance
- 24x7 Helpdesk (onsite & remote)
- Data Backup & Disaster Recovery
- Records/Document Management, Email, & Microsoft Office
- Video Archiving
- Policy & Compliance
- Website
- Vendor Management and Procurement

Example: 2 PCs

<table>
<thead>
<tr>
<th>List price</th>
<th>Onboarding</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
<td>$515</td>
</tr>
<tr>
<td>AML members SAVE 52% the first year!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding</td>
<td>FREE</td>
<td>$249</td>
</tr>
</tbody>
</table>

Example: 5 PCs & 1 Server

<table>
<thead>
<tr>
<th>List price</th>
<th>Onboarding</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
<td>$1,033</td>
</tr>
<tr>
<td>AML members SAVE 37% the first year!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding</td>
<td>FREE</td>
<td>$651</td>
</tr>
</tbody>
</table>

Example: 10 PCs & 3 Servers

<table>
<thead>
<tr>
<th>List price</th>
<th>Onboarding</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
<td>$1,938</td>
</tr>
<tr>
<td>AML members SAVE 30% the first year!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding</td>
<td>FREE</td>
<td>$1,352</td>
</tr>
</tbody>
</table>

https://sophicity.com/Signup-AML-ITinaBox.aspx
# IT in a Box Silver

Features & benefits include:
- Cybersecurity & Computer Maintenance
- 24x7 Helpdesk (remote)
- Data Backup & Disaster Recovery
- Vendor Management and Procurement

## example: 2 PCs

<table>
<thead>
<tr>
<th></th>
<th>List price</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
<td>$252</td>
</tr>
<tr>
<td>AML members SAVE 52% the first year!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding</td>
<td>FREE</td>
<td>$120</td>
</tr>
</tbody>
</table>

## example: 5 PCs & 1 Server

<table>
<thead>
<tr>
<th></th>
<th>List price</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
<td>$642</td>
</tr>
<tr>
<td>AML members SAVE 34% the first year!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding</td>
<td>FREE</td>
<td>$422</td>
</tr>
</tbody>
</table>

## example: 10 PCs & 3 Servers

<table>
<thead>
<tr>
<th></th>
<th>List price</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
<td>$1,565</td>
</tr>
<tr>
<td>AML members SAVE 27% the first year!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding</td>
<td>FREE</td>
<td>$1,138</td>
</tr>
</tbody>
</table>

[https://sophicity.com/Signup-AML-ITinaBox.aspx](https://sophicity.com/Signup-AML-ITinaBox.aspx)
IT in a Box Bronze

Features & benefits include:
- Cybersecurity & Computer Maintenance
- Data Backup & Disaster Recovery

Save up to 65%

<table>
<thead>
<tr>
<th>Example: 2 PCs</th>
<th>Example: 5 PCs &amp; 1 Server</th>
<th>Example: 10 PCs &amp; 3 Servers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>List price</strong></td>
<td><strong>List price</strong></td>
<td><strong>List price</strong></td>
</tr>
<tr>
<td>Onboarding</td>
<td>Onboarding</td>
<td>Onboarding</td>
</tr>
<tr>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Monthly Fee</td>
<td>Monthly Fee</td>
<td>Monthly Fee</td>
</tr>
<tr>
<td>$142</td>
<td>$304</td>
<td>$825</td>
</tr>
<tr>
<td>AML members</td>
<td>AML members</td>
<td>AML members</td>
</tr>
<tr>
<td>SAVE 65%</td>
<td>SAVE 42%</td>
<td>SAVE 30%</td>
</tr>
<tr>
<td>the first year!</td>
<td>the first year!</td>
<td>the first year!</td>
</tr>
<tr>
<td>Onboarding</td>
<td>Onboarding</td>
<td>Onboarding</td>
</tr>
<tr>
<td>FREE</td>
<td>FREE</td>
<td>FREE</td>
</tr>
<tr>
<td>Monthly Fee</td>
<td>Monthly Fee</td>
<td>Monthly Fee</td>
</tr>
<tr>
<td>$50</td>
<td>$176</td>
<td>$580</td>
</tr>
</tbody>
</table>

https://sophicity.com/Signup-AML-ITinaBox.aspx
Cybersecurity / Disasters

Prevention
Beats
Remediation
Cybersecurity

Atlanta 2018 SamSam Sam attack exploited week password, $21 million dollar recovery price tag.

Baltimore Robinhood ransomware exploited a missing patch, $18 million dollar recovery price tag.
Cybersecurity

June 2019 Lake City, Florida, population 12,000 pays $460,000 ransom.

August 2019, ransomware attack hits 22 Texas towns, hackers demand 2.5 million.
Cities in the program

- Alpena
- Bethel Heights
- Brookland
- Bull Shoals
- Charleston
- Clarendon
- Dover
- Farmington
- Forrest City

- Goshen
- Helena-West Helena
- Hughes
- Pleasant Plains
- Pottsville
- Redfield
- Rose Bud
- Strong
- Tuckerman
Questions?

Chris Hartley

Chief Information Officer
Arkansas Municipal League
501-978-6106
chartley@arml.org
ACOOP: Arkansas Continuity of Operations Program

CAROL M. SKILL

DEPARTMENT OF INFORMATION SYSTEMS
DIS

HTTPS://ACOOP.ARKANSAS.GOV
When Do I Need ACOOP?

Arkansas Disasters
Why is ACOOP Important?

In the event of a Disaster:

• What Do you do First?
• Who needs to be contacted?
  ○ How do we Inform Employees of what to do?
• Where will the Employees go?
• Where is your Data Stored (Backups)?
• How are you Going to Restore your Data?
• What is your Essential Functions?
• What “Teams” Do we have?
  ○ What “tasks” do each team need to complete to function?
• What supplies, equipment, etc. do we need?
  ○ How many?
What We Do

- Arkansas Continuity of Operations Program ACOOP
  - All Hazards
  - Response, Continuity, Recovery
  - Required for State Agencies
  - Available to all State and County
Arkansas Dept. of Legislative Audit

- Serve the General Assembly Legislative Joint Auditing Committee and Arkansas Citizens
- Promote sound financial management and accountability of public resources
- Completes financial audits, reviews and special reports
- Conducted in an independent and unbiased manner

http://www.arklegaudit.gov/
What Does ACOOP DO?

ACOOP Provides

- Software
- Consulting
- Training
- Testing
- Resource
- Data Backups
What is Continuity of Operations?

Continuity of Operations

COOP
Continuing to carry out essential functions during and after a disruptive event.
ACOOP: General Plan Information

• URL:
  o https://acoop.arkansas.gov

• Individual Login and Plan

• Data Stored by Department of Information Systems (DIS)

• When Plan is Completed:
  o Anyone should be able to review the plan and know exactly what tasks need to be completed in order to have your organization functional.
What Does ACOOP Look Like?
What Information is Required?

State Standards

- Procedure documentation for critical functions
  - Step by Step instructions on how to perform an administrative function/software manual
- Office manual/manual procedures
  - Step by Step instructions on how to perform function without technical systems
- Procedure documentation for restoring IT systems
  - Step by Step instructions to restore servers and data
What Are Essential Functions?

State Standards: Essential Functions

- Essential Functions
  - What you do on a daily basis for all divisions?

- Criticality of functions
  - One hour or less
  - Half a business day
  - One business day
  - More than two business days
What Needs to be Included in “Teams and Tasks?”

State Standards: Teams and Tasks

- Teams and recovery tasks
  - Tasks should step you through recovering a function or portion of a function.
  - Initial Response
  - IT recovery team
  - Critical applications
  - Recovery of resources
Call Lists, Reporting Structure & Order of Succession

State Standards: Call lists, Reporting Structure and Order of Succession

- Call List
  - To ensure all employees and staff are accounted for in the case of an event
- Reporting Structure
  - Hierarchy of who is in charge
  - Main management positions
  - Can include essential positions or managers
- Orders of Succession
  - Primary, secondary, and tertiary person(s) to take over a specific job if the key employee is no longer available
Resources Needed

What Resources Do You need?

- Software
  - Prioritize by order of restoration*
- Vendors
- Supplies
- Minimum Hardware Requirements
  - Memory, Processor Type, Etc.
- Equipment
Plan For Several Different Disasters

State Standards

- Multi-Hazard Response Plan
  - A plan to address initial response measures for multiple hazards such as tornado, fire, active shooter, etc.
  - Example in "Knowledge Base"

- Pandemic Flu Plan
  - Example in "Knowledge Base"
What Other Documents Are Required?

State Standards

• Devolution
  • Who will you devolve your authority to?
  • Example in “Knowledge Base”

• Media Statement
  • Sample statement
  • PIO officer to handle requests and statements
  • Example in “Knowledge Base”

• Cross Training Plan
  • Example in “Knowledge Base”
Helpful FEMA Websites

FEMA:
- https://www.fema.gov/

FEMA Online training courses:
- https://training.fema.gov/is/crslist.aspx

Disaster Recovery Planning Resources:
- https://www.fema.gov/resources-plan-post-disaster-recovery

Business Continuity Planning Suite:
Contact Information

Carol M. Skill
501-682-5381
Carol.Skill@Arkansas.gov

Aaron Brown
501-682-5413
aaron.brown@Arkansas.gov

ACOOP Help Desk
DIS.ACOOP@Arkansas.gov

General Help
501-682-4357 (682-HELP)
# Arkansas Continuity of Operations Program Plan Review

**Items below need to be included in your COOP Plan**

<table>
<thead>
<tr>
<th>Location on Website: Please look at top of page. Drop Down Boxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Review</td>
</tr>
<tr>
<td>Plan Reviewer</td>
</tr>
<tr>
<td>Agency Name</td>
</tr>
<tr>
<td>Lead Planner</td>
</tr>
<tr>
<td>Plan Name</td>
</tr>
<tr>
<td>ACOOP Plan Score</td>
</tr>
<tr>
<td>ADLA Score</td>
</tr>
</tbody>
</table>

"X" indicates what is required for FEMA and ADLA

To ensure your evaluation is as accurate as possible, please verify that all documents listed under "Supporting Documents" section are added to the Table of Contents

### Table of Contents

<table>
<thead>
<tr>
<th>FEMA</th>
<th>ADLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under &quot;My Plan.&quot; Click on &quot;Design my Plan&quot;</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is there a table of contents?</th>
<th>X</th>
</tr>
</thead>
</table>

### Functions

<table>
<thead>
<tr>
<th>Are there an appropriate number of functions?</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is each function description clear?</td>
<td>X</td>
</tr>
<tr>
<td>Has function priority been established?</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Are there job descriptions for critical functions?</th>
<th>X</th>
</tr>
</thead>
</table>

### Add to Supporting Documents

<table>
<thead>
<tr>
<th>Have external dependencies been assigned?</th>
<th>X</th>
</tr>
</thead>
</table>

### Locations

<table>
<thead>
<tr>
<th>Is there one or more close alternate locations entered?</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there one or more distant alternate locations entered?</td>
<td>X</td>
</tr>
<tr>
<td>Is there an offsite storage location listed?</td>
<td>X</td>
</tr>
<tr>
<td>Is access to the alternate locations and offsite storage location listed?</td>
<td>X</td>
</tr>
<tr>
<td>Is there an alternative IT processing site including address, name and contact information for those with access to key or codes?</td>
<td>X</td>
</tr>
<tr>
<td>If the alternative IT processing site is not in control of the entity, has the entity included a signed Memorandum of Understanding</td>
<td>X</td>
</tr>
</tbody>
</table>

### Tests

<table>
<thead>
<tr>
<th>Is there a plan test report showing at least 2 tests per year?</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a lessons learned/areas for improvement list included?</td>
<td>X</td>
</tr>
<tr>
<td>Has the plan been tested in the past 12 months?</td>
<td>X</td>
</tr>
</tbody>
</table>

To ensure your evaluation is as accurate as possible, please verify that all documents listed under "Supporting Documents" section are added to the Table of Contents.
<table>
<thead>
<tr>
<th>Employees</th>
<th>Teams</th>
<th>Call list</th>
<th>Reporting Structure</th>
<th>Succession Plans</th>
<th>Resource Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have a reasonable amount of employees been entered?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does each employee have contact information?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does each employee have an emergency contact with information?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Under &quot;People.&quot; Click on &quot;Employees.&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there teams with positions and tasks in the plan?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there an IT recovery team listed for each critical application?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does each team have positions?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does each position have employees?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do tasks address initial response?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do tasks address the steps of IT system recovery?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have teams been assigned to the function?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is every employee on a call list?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under &quot;People.&quot; Click on &quot;Call Lists.&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under &quot;People.&quot; Click on &quot;Teams,&quot; &quot;New&quot; or &quot;Edit&quot; and see Tabs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can also add documents to &quot;Supporting Documents&quot; Section</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under &quot;People.&quot; Click on &quot;Reporting Structure.&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has a reporting structure been entered?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under &quot;People.&quot; Click on &quot;Succession Plans.&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there an orders of succession document?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under &quot;Resources.&quot; Click on &quot;Vital Records.&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a list of vital records needed to support critical functions?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a list of critical software including priority of restoration?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a list of critical vendors including contact information?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a list of supplies needed to support critical functions?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a detailed list of system hardware requirements for critical applications?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a list of essential equipment needed to support essential functions?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under &quot;Resources.&quot; Click on &quot;Equipment.&quot; Click on &quot;New&quot; or &quot;Edit&quot; and attach file.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a multi-hazard response plan?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a map of the facility and an Evacuation Route?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there an office manual/manual procedures included?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there pandemic flu policies/considerations documents?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a devolution document?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a media statement?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there procedure documentation for restoring IT systems?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there procedure documentation for critical functions?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a cross training plan addressing critical functions?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Enabling the public sector to continue essential functions during disasters, hazards and other emergencies.

ACOOP
Arkansas Continuity of Operations Program
What is ACOOP?
ACOOP provides support in developing and implementing disaster recovery planning for organizations in Arkansas's public sector. We provide the methodology, software, training, and assistance with creating and maintaining continuity of operations plans.

Who can use ACOOP?
√ State Agencies
√ Boards
√ Commissions
√ K-12 and Higher Education
√ City and County Government

What services does ACOOP offer?
√ Risk Assessments
√ Identify Threats
√ Prioritize Critical Services
√ Identify Required Resources
√ Assign Tasks of Recovery to Teams
√ Test and Maintain the Plan
√ Alternate Locations

What training does ACOOP offer?
√ Continuity Concept Training
√ Refresher Training
√ Test, Training and Exercise
√ Workshop Sessions
√ Tabletop Exercises
√ Plan Maintenance
√ Plan Evaluations
√ Assistance with Legislative Audit

Why should my organization use ACOOP?
ACOOP utilizes a Web-based, custom software that allows users to access and maintain plans from anywhere. The system can compile information into a single, printable document ideal for distribution to personnel.

How much does ACOOP cost?
ACOOP training, services and use of the system are FREE to any state, county, city, higher education institution, or K-12 entity.

To help ensure the timely continuity of operations with minimal disruption of critical services to citizens due to the loss of physical infrastructure, loss of data or loss of personnel, contact ACOOP.

501.682.4307

ACOOP
Arkansas Continuity of Operations Program

Department of Information Systems
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>1</td>
</tr>
<tr>
<td>Home screen</td>
<td>5</td>
</tr>
<tr>
<td>Working With Essential Functions (Processes)</td>
<td>7</td>
</tr>
<tr>
<td>Essential Function Data</td>
<td>7</td>
</tr>
<tr>
<td>Entering Employee Data</td>
<td>12</td>
</tr>
<tr>
<td>Employee Data</td>
<td>12</td>
</tr>
<tr>
<td>Working with Teams</td>
<td>16</td>
</tr>
<tr>
<td>Team Data</td>
<td>16</td>
</tr>
<tr>
<td>Call Lists</td>
<td>20</td>
</tr>
<tr>
<td>Reporting Structure</td>
<td>21</td>
</tr>
<tr>
<td>Working With Resources</td>
<td>25</td>
</tr>
<tr>
<td>Working With Software</td>
<td>25</td>
</tr>
<tr>
<td>Working With Supplies</td>
<td>27</td>
</tr>
<tr>
<td>Working With Equipment</td>
<td>28</td>
</tr>
<tr>
<td>Adding A New Section</td>
<td>33</td>
</tr>
<tr>
<td>Changing A Section Title</td>
<td>33</td>
</tr>
<tr>
<td>Assigning A Report to A Section</td>
<td>34</td>
</tr>
<tr>
<td>Assigning A Document to A Section</td>
<td>34</td>
</tr>
<tr>
<td>Running a Plan Audit</td>
<td>36</td>
</tr>
<tr>
<td>Generating Your Plan</td>
<td>37</td>
</tr>
<tr>
<td>Submitting Your Plan</td>
<td>38</td>
</tr>
</tbody>
</table>
Arkansas Disasters

What We Do

- Arkansas Continuity of Operations Program ACOOP
  - All Hazards
  - Response, Continuity, Recovery
  - Required for State Agencies
  - Available to all State and County
- Arkansas Department of Legislative Audit ADLA
ACOOP Provides

- Software
- Consulting
- Training
- Testing
- Resource
- Data Backups

Continuity of Operations

COOP
Continuing to carry out essential functions during and after a disruptive event.
HOME SCREEN

The Dashboard provides a high-level of information on your plan, and communications with the Arkansas COOP Administration staff. This includes information such as upcoming events and announcements, the status of the current plan, and message sent by the system (primarily from jobs that run in the background).

Plan Overview Page

The Plan Overview page provides a high level view of information relating to the plan as a whole. This includes the Plan Summary information, and the plan status. To modify information about the plan, select the “Edit” button to switch from “View” mode to edit mode.

Further information is available in the tabs below employees, lead planner information, and more. You can use these tabs to hyperlink to other existing information, or use the “new” or “add” buttons to create a new item.
State Standards: Essential Functions

- Essential Functions
  - What you do on a daily basis for all divisions?

- Criticality of functions
  - One hour or less
  - Half a business day
  - One business day
  - More than two business days
ESSENTIAL FUNCTION DATA

Essential Function data can be accessed via the left navigation links, and will take you to the Essential Functions “list view”. This view provides a list of Essential Functions in the current plan. To view an Essential Function, simply click the hyperlink on the name to view the Essential Function information.
**Adding a New Essential Function**

To add a new Essential Function click the “New” button at the type of the form. This will take you to the “Edit form” for the record. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.

**Assigned To Team:** You can assign one or more teams from the Essential Functions screen. If you came to this screen from an existing Team, that team will show up as selected in the right hand box.

---

**TIP** In a blank plan the “assigned to team” section will be blank. The teams will have to be created using the template function then assigned to the essential function.

**Using Templates to Add Essential Functions**

You can utilize templates (existing items pre-configured for use in multiple plans) by selecting the “Use Templates” link at the top of the screen.

Once you’ve selected the “Use Templates” button, you can search for and add Essential Functions to your plan by simply checking the select box and clicking the “Add...” button.

**Viewing/Editing Essential Function Information**

To view an Essential Function record, simply click the Essential Function last name from the Essential Function list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.
Essential Functions: Food Services

<table>
<thead>
<tr>
<th>Title</th>
<th>Food Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned To Team</td>
<td>Food Services</td>
</tr>
<tr>
<td>Description</td>
<td>Provide food and services to students and staff</td>
</tr>
<tr>
<td>Critical Rating</td>
<td>High</td>
</tr>
<tr>
<td>Allowable Delay</td>
<td>0-4 hrs</td>
</tr>
<tr>
<td>Agency Code</td>
<td>1111</td>
</tr>
<tr>
<td>Priority</td>
<td>1</td>
</tr>
<tr>
<td>Dependencies</td>
<td>Administration</td>
</tr>
</tbody>
</table>

Related Software

There are no items to show in this view of the "Software" list. To create a new item, click 'New' above.

Arkansas Continuity of Operations

Essential Functions

<table>
<thead>
<tr>
<th>Title</th>
<th>Description</th>
<th>Critical Rating</th>
<th>Allowable Delay</th>
<th>Assigned To Team</th>
<th>Dependencies</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>Operates an Emergency Operations Center coordinator. Heads the IT recovery team. Manages mayor's calls and correspondence; updates and maintains website, city's email and Facebook page; oversees Community Center rentals; performs and manages grant applications and various city projects.</td>
<td>High</td>
<td>6-4 hrs</td>
<td>DR team</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Police Chief</td>
<td>Oversees all aspects of Police Department and Personnel.</td>
<td>High</td>
<td>6-4 hrs</td>
<td>DR team</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Mayor</td>
<td>As principal officer of the city of Example, the mayor oversees the day-to-day activities of the city and supervises department heads. The mayor is the ex-officio president of the city council and presides over the meetings of the council and signs all ordinances, resolutions and city council minutes. He approves invoices and signs all checks including accounts payables and payroll. State statute defines responsibilities that the mayor is charged with.</td>
<td>High</td>
<td>6-4 hrs</td>
<td>DR team</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>City Superintendent</td>
<td>Oversees all aspects of city maintenance operations including making purchasing and project decisions for the street, water/sewer and sanitation departments as well as allocation of manpower, day-to-day operations, and payroll/overtime approval.</td>
<td>High</td>
<td>6-4 hrs</td>
<td>DR team</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>
Adding a New Location

To add a new Location click the “New” button at the type of the form. This will take you to the “Edit form” for the record. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.
Adding a New Test

To add a new Test click the “New” button at the type of the form. This will take you to the “Edit form” for the record. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.

**TIP** To add “areas of improvement” a new test needs to be added. After selecting that test, the “Areas for Improvement” area will be available.
Employee data can be accessed via the left navigation links, and will take you to the Employees “list view”. This view provides a list of employees in the current plan. To view an employee, simply click the hyperlink on the name to view the employee information.
Filtering the Employee List

To filter the list simply type the value in the empty box at the top and hit enter. This will filter that column using that value, for example typing “All” in the last name field will display all employees in your plan with “all” in their last name. To restore the list, simply delete the filter and press enter.

Adding a New Employee

To add a new employee click the “New” button at the type of the form. This will take you to the “Edit form” for the record. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.
To add "Skills" (previously called “Attributes”) simply select the desired value and use the arrow key to move the item to the right.

**TIP** Skills can only be viewed in the skills section on the left navigation. No Skills can be added/deleted/edited.

Viewing/Editing an Employee Information

To view an employee record, simply click the employee last name from the employee list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.

**TIP** When editing employees, instead of deleting a person who no longer is with your agency simply add a “VACANT” or generic name. By doing so, when the position is filled the new person can be entered and will appear throughout the plan.
State Standards: Teams and Tasks

- Teams and recovery tasks
  - Tasks should step you through recovering a function or portion of a function.
  - Initial Response
  - IT recovery team
  - Critical applications
  - Recovery of resources
WORKING WITH TEAMS

TEAM DATA

Team data can be accessed via the left navigation links, and will take you to the Teams “list view”. This view provides a list of Teams in the current plan. To view a Team, simply click the hyperlink on the name to view the Team information.

Adding a New Team

To add a new Team click the “New” button at the type of the form. This will take you to the “Edit form” for the record. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.
Using Templates to Add Teams

You can utilize templates (existing items pre-configured for use in multiple plans) by selecting the “Use Templates” link at the top of the screen.

Once you’ve selected the “Use Templates” button, you can search for and add teams to your plan by simply checking the select box and clicking the “Add...” button.

Viewing/Editing Team Information

To view a Team record, simply click the Team last name from the Team list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.
Adding an Existing Employee to a Team

To add an existing team member to a team, start typing part of their name into the Add Employee box. Once you’ve found your employee, select their name and press the “Add” button.

Adding an Existing Essential Function to a Team

To add an existing team member to a team, start typing part of their name into the Add Essential Function box. Once you’ve found your function, select their name and press the “Add” button.

Creating a New Essential Function and Associating It to a Team

In addition to assigning an existing Essential Function, you can also create a new Essential Function right from this screen. Pressing “new” will take you to the new screen (see Working with Essential Functions”).

Working with Team Tasks

You can view the existing tasks using the Tasks tab underneath the team information. To create a new task simply the “New Task” button.

NOTE: The Tasks are sorted by Title, so it is recommended that you use a Task # or similar for the Title if you would like to see your tasks in a specific order.

Selecting the New Task button will display an “embedded” form to create a new task. This allows you to enter many tasks without jumping from page to page. Press the “Save” link on the bottom left.

**TIP** Each team MUST have a appointed “Team Leader”
State Standards: Call lists, Reporting Structure and Order of Succession

- Call List
  - To ensure all employees and staff are accounted for in the case of an event
- Reporting Structure
  - Hierarchy of who is in charge
  - Main management positions
  - Can include essential positions or managers
- Orders of Succession
  - Primary, secondary, and tertiary person(s) to take over a specific job if the key employee is no longer available
CALL LISTS

To see your call lists, select the “Call Lists” link from the left navigation. This will provide your list of “call lists”. To view the call list itself, simply click the title.

The Call List page is broken into two components: the current call list structure, and the “search” component.

Current Call List Structure

The Current Call List structure displays the call list as currently defined, in a hierarchical format. Each “branch” of the tree can be expanded by clicking the ‘+’ icon, or collapsed by using the ‘-’ icon. Changes made to the structure of the call list are saved automatically and do not require a “save button press”.

Using Drag and Drop

Items can be moved to another branch or higher branch of the tree by dragging (clicking, holding the mouse button, and moving) the item with the mouse to the location. Once the mouse is over the target “parent” (caller) release the mouse button.

Adding Employees Using the Search Component

To add one or more employee to the call list, simply type the information about the employee into the search fields and select “Search”. You can select one or more employees by using the “checkbox” then press the “Add...” button to add them to the call list. The selected employees will be added underneath the item currently selected in the Call List structure component.
To see your reporting structure, select the “Reporting Structure” link from the left navigation. This will provide your list of “reporting structures”. To view the structure itself, simply click the title.

The Reporting Structure page is broken into two components: the current call list structure, and the “search” component.

**Current Reporting Structure**

The Reporting Structure List structure displays the call list as currently defined, in a hierarchical format. Each “branch” of the tree can be expanded by clicking the ‘+’ icon, or collapsed by using the ‘-’ icon. Changes made to
the structure of the Reporting Structure are saved automatically and do not require a “save button press”.

### Adding Employees Using the Search Component

To add one or more employee to the Reporting Structure, simply type the information about the employee into the search fields and select “Search”. You can select one or more employees by using the “checkbox” then press the “Add…” button to add them to the Reporting Structure. The selected employees will be added **underneath** the item currently selected in the Reporting Structure component.

### Succession Plans

To see your Succession Plan, select the “Succession Plan” link from the left navigation. This will provide your list of “Succession Plans”. To view the structure itself, simply click the title.
The Succession Plan page is broken into two components: the current call list structure, and the “search” component.

**Current Succession Plan**

The Succession Plan List structure displays the call list as currently defined, in a hierarchical format. Each “branch” of the tree can be expanded by clicking the ‘+’ icon, or collapsed by using the ‘-’icon. Changes made to the structure of the Succession Plan are saved automatically and do not require a “save button press”.

**Adding Employees Using the Search Component**

To add one or more employee to the Succession Plan, simply type the information about the employee into the search fields and select “Search”. You can select one or more employees by using the “checkbox” then press the “Add…” button to add them to the Succession Plan. The selected employees will be added underneath the item currently selected in the Succession Plan component.

**TIP** During the event of a disaster, it is helpful for each Team Leader/Manager to have their own line of succession.
Resources: Vital Records

- What documents or databases do you need to do your job?
  - Electronic or paper
  - IT backups stored offsite
  - Virtualization

What Resources Do You need?

- Software
  - Prioritize by order of restoration
- Vendors
- Supplies
- Minimum Hardware Requirements
  - Memory, Processor Type, Etc.
- Equipment
Working with Vital Records

To view a Vital Record entry, simply click the Vital Record name from the Vital Record list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.

Working with Software

To view a Software entry, simply click the Software record name from the Software list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.
Software Details Screen

The Software details screen contains information in multiple tabs. To view the general information, click the “Details” tab, to see information regarding the Quantities required, select the “Quantities” tab.

The software quantities tab allows you to enter the required quantities for this piece of Software. Note that we track quantities per PLAN, not per ESSENTIAL FUNCTION.

**TIP** Don’t forget to add the Priority number after the software name. For example, Microsoft Office (Priority 1). Hardware requirements should be uploaded into the supporting documents section.
WORKING WITH SUPPLIES

To view a Supply entry, simply click the Supply record name from the Supplies list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.

Filtering the Supplies List

To filter the list simply type the value in the empty box at the top and hit enter. This will filter that column using that value, for example typing “Printer” in the title field will display all supplies in your plan with “printer” in their title. To restore the list, simply delete the filter and press enter.
**TIP** Don’t forget to add quantity

**WORKING WITH EQUIPMENT**

To view an Equipment entry, simply click the Equipment record name from the Equipment list. To modify the information, simply click the “Edit” button. Simply type the information and press “Save” or “Save and Close”. Pressing “Save” will save your changes and while pressing “Save and Close” will save your changes and return to your previous screen.

**Filtering the Equipment List**

To filter the list simply type the value in the empty box at the top and hit enter. This will filter that column using that value, for example typing “Printer” in the title field will display all supplies in your plan with “printer” in their title. To restore the list, simply delete the filter and press enter.
Adding Existing Equipment or Use Templates

To add existing Equipment or templates (existing items pre-configured for use in multiple plans) select the “Add Existing Equipment to Function” or “Use Templates” link at the top of the screen.

Once you’ve selected the corresponding button, you can search for and add Equipment to your plan by simply checking the select box and clicking the “Add…” button.

**TIP** Don’t forget to add quantity
State Standards

- Multi-Hazard Response Plan
  - A plan to address initial response measures for multiple hazards such as tornado, fire, active shooter, etc.
  - Example in "Knowledge Base"

- Pandemic Flu Plan
  - Example in "Knowledge Base"

State Standards

- Devolution
  - Who will you devolve your authority to?
  - Example in "Knowledge Base"

- Media Statement
  - Sample statement
  - PIO officer to handle requests and statements
  - Example in "Knowledge Base"

- Cross Training Plan
  - Example in "Knowledge Base"
State Standards

- Procedure documentation for critical functions
  - Step by Step instructions on how to perform an administrative function/software manual
- Office manual/manual procedures
  - Step by Step instructions on how to perform function without technical systems
- Procedure documentation for restoring IT systems
  - Step by Step instructions to restore servers and data
**TIP** When importing documents click “New” and select your document, then select “upload”. ACOOP will say that it is uploading when it says 100% the title and dropdown boxes will remain the same. However, select your document again and hit “Save”, this ensures the document was uploaded. New documents will appear at the bottom of the list.
**ADDING A NEW SECTION**

To add a new section, simply type the name of the section and select “Add New Selection”. If you would like to make a “sub-section” select the section you would like to place your new area under, prior to pressing the “Add New Section” button.

**CHANGING A SECTION TITLE**

To change the title of a section, select the “Edit” link next to the section you would like to assign the report to. This will display the Section detail pop-up screen, which includes the information on the section. Simply type the new title in the Title area and press the “Update” link button at the bottom of the panel. (For more information on viewing reports, see the “Reports” section near the end of this document).
ASSIGNING A REPORT TO A SECTION

To assign a document to a section, select the “Edit” link next to the section you would like to assign the report to. This will display the Section detail pop-up screen, which includes the information on the section. Start typing the report name to see a list of available reports. Select the item you would like and press the “Update” link button at the bottom of the panel. (For more information on viewing reports, see the “Reports” section near the end of this document).

ASSIGNING A DOCUMENT TO A SECTION

To assign a document to a section, select the “Edit” link next to the section you would like to assign the document to. This will display the Section detail pop-up screen, which includes the information on the section. Select the dropdown arrow in the “Related Document” field to see a list of document titles that are currently in your “Supporting Documents” library. Select the item you would like and press the “Update” link button at the bottom of the panel.

**TIP** If you do not attach your supporting document to the Table of Contents it will not appear in the generated plan.
Plan Audits

• ACOOP Plan Reviews
  • Ensure plans meet state standards.
  • Ensure plans address COOP and not crisis management.
  • Available by request at any time.
  • Blank Review sheet in “Knowledge Base”
RUNNING A PLAN AUDIT

My Plan
Design My Plan
Run Plan Audit
Generate My Plan
Submit My Plan
My Organization
View My Plan List
Essential Functions
Locations
Test Plans
People
Employees
Teams
Call Lists
Reporting Structure
Succession Plans
Skills

To run a plan audit, simply select the “Run Plan Audit” from the left navigation.

Run a plan audit to verify your plan has the required components!

Run Plan Audit

Run Audit

This will bring up the Run Plan Audit screen, simply select “Run Audit”. While the audit is running you will see a screen that indicates that the audit is under way (Note: the audit may take several minutes).

Once the audit has completed the results will be displayed. Information is displayed by category, and issues are categorized into Informational, Warning, and Error type messages. You can utilize the hyperlinks to the items in question to review and modify information as needed.

**TIP** An audit only shows that areas have been entered but not that they reflect accurate/correct data.
GENERATING YOUR PLAN

Once you have completed your plan, run the plan audit, and are ready to submit your plan for final review, press the “Submit Plan” link on the left navigation.

When generating a plan, you can choose to select PDF or Microsoft Word format, as well as which Template Table of Contents you would like to use (if you have more than 1 available)

**TIP** If you want to edit the document after generating select Microsoft Word format. If you select the PDF Format the document will not be editable. Any edits made directly to the plan will not be made within the ACOOP software.

Once you’ve pressed the Generate Plan button, plan generation will start and this will take you to the “Plan Generation Progress” screen. Generating plans can take several minutes and this screen provides feedback where you are in the process.

Once completed you will be returned to the plan overview page where you can see your plan document on the plan documents tab.
**SUBMITTING YOUR PLAN**

Once you have completed your plan, run the plan audit, and are ready to submit your plan for final review, press the “Submit Plan” link on the left navigation. This will take you to the Plan Submission screen. This allows you to select a document that you would like to submit as your final plan (in the case that you have multiple plan documents available), and enter a comment to go along with your submission. Information provided in the comment will be visible to the plan reviewer when they receive your submission.

**Plan Submissions**

**TIP** The ACOOP website does not give a confirmation that the plan was submitted. If you wish to confirm, email the ACOOP Team at DIS.ACOOP@arkansas.gov

Reviews will be emailed to the User Account submitting, unless otherwise specified in the Submission Comments

**TIP** Plans can be reviewed as often as they are submitted while changes are being made.
Contact Information

Brittney Whatley
Network Support Analyst
501-682-4307
Brittney.Whatley@arkansas.gov

Trey Gray
Network Support Analyst
501-683-1877
Trey.Gray@arkansas.gov

ACOOP Help Desk
DIS ACOOP@arkansas.gov
# Arkansas Continuity of Operations Program Plan Review

<table>
<thead>
<tr>
<th>Date of Review</th>
<th>Location on Website: Please look at top of page. Drop Down Boxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Reviewer</td>
<td></td>
</tr>
<tr>
<td>Agency Name</td>
<td></td>
</tr>
<tr>
<td>Lead Planner</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOOP Plan Score</td>
<td>0%</td>
</tr>
<tr>
<td>ADLA Score</td>
<td>0%</td>
</tr>
</tbody>
</table>

To ensure your evaluation is as accurate as possible, please verify that all documents listed under "Supporting Documents" section are added to the Table of Contents located under "Design my Plan."

### Functions

<table>
<thead>
<tr>
<th>FEMA</th>
<th>ADLA</th>
</tr>
</thead>
</table>

#### Table of Contents

- Is there a table of contents? | X

#### Functions

- Are there an appropriate number of functions? | X
- Is each function description clear? | X
- Has function priority been established? | X
- Are there job descriptions for critical functions? | X
- Have external dependencies been assigned? | X

#### Locations

- Is there one or more close alternate locations entered? | X | X
- Is there one or more distant alternate locations entered? | X | X
- Is there an offsite storage location listed? | X | X
- Is access to the alternate locations and offsite storage location listed? | X | X
- Is there an alternative IT processing site including address, name and contact information for those with access to key or codes? | X | X
- If the alternative IT processing site is not in control of the entity, has the entity included a signed Memorandum of Understanding (MOU) | X | X

#### Tests

- Is there a plan test report showing at least 2 tests per year? | X
- Is there a lessons learned/areas for improvement list included? | X | X
- Has the plan been tested in the past 12 months? | X | X

#### Employees

- Have a reasonable amount of employees been entered? | X
- Does each employee have contact information? | X
- Does each employee have an emergency contact with information? | X
<table>
<thead>
<tr>
<th>Teams</th>
<th>Under &quot;People.&quot; Click on &quot;Teams,&quot; &quot;New&quot; or &quot;Edit&quot; and see Tabs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there teams with positions and tasks in the plan?</td>
<td>X</td>
</tr>
<tr>
<td>Is there an IT recovery team listed for each critical application?</td>
<td>X X</td>
</tr>
<tr>
<td>Does each team have positions?</td>
<td>X</td>
</tr>
<tr>
<td>Does each position have employees?</td>
<td>X</td>
</tr>
<tr>
<td>Do tasks address initial response?</td>
<td>X</td>
</tr>
<tr>
<td>Do tasks address the steps of IT system recovery?</td>
<td>X X</td>
</tr>
<tr>
<td>Have teams been assigned to the function?</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Call list</th>
<th>Under &quot;People.&quot; Click on &quot;Call Lists.&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is every employee on a call list?</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reporting Structure</th>
<th>Under &quot;People.&quot; Click on &quot;Reporting Structure.&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a reporting structure been entered?</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Succession Plans</th>
<th>Under &quot;People.&quot; Click on &quot;Succession Plans.&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there an orders of succession document?</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resource Assignments</th>
<th>Under &quot;Resources.&quot; Click on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a list of vital records needed to support critical functions?</td>
<td>&quot;Vital Records.&quot;</td>
</tr>
<tr>
<td>Is there a list of critical software including priority of restoration?</td>
<td>X X</td>
</tr>
<tr>
<td>Is there a list of critical vendors including contact information?</td>
<td>X</td>
</tr>
<tr>
<td>Is there a list of supplies needed to support critical functions?</td>
<td>X</td>
</tr>
<tr>
<td>Is there a detailed list of system hardware requirements for critical app</td>
<td>X X</td>
</tr>
<tr>
<td>Is there a list of essential equipment needed to support essential funct</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Elements of a Viable COOP</th>
<th>Under &quot;Documents and Other Information.&quot; Click on &quot;Supporting Documents&quot; and add document. Under &quot;My Plan.&quot; Click on &quot;Design my Plan&quot; and add to table of contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a multi-hazard response plan?</td>
<td>X</td>
</tr>
<tr>
<td>Is there a map of the facility and an Evacuation Route?</td>
<td>X</td>
</tr>
<tr>
<td>Is there an office manual/manual procedures included?</td>
<td>X X</td>
</tr>
<tr>
<td>Are there pandemic flu policies/considerations documents?</td>
<td>X</td>
</tr>
<tr>
<td>Is there a devolution document?</td>
<td>X</td>
</tr>
<tr>
<td>Question</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Is there a media statement?</td>
<td>X</td>
</tr>
<tr>
<td>Is there procedure documentation for restoring IT systems?</td>
<td>X</td>
</tr>
<tr>
<td>Is there procedure documentation for critical functions?</td>
<td>X</td>
</tr>
<tr>
<td>Is there a cross training plan addressing critical functions?</td>
<td></td>
</tr>
<tr>
<td>Arkansas Continuity of Operations Program Plan Review</td>
<td></td>
</tr>
<tr>
<td>---</td>
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<td><strong>Date of Review</strong></td>
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</tr>
<tr>
<td><strong>Plan Reviewer</strong></td>
<td>Carol M. Skill</td>
</tr>
<tr>
<td><strong>Agency Name</strong></td>
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|**Functions**|
|Are there an appropriate number of functions?| X | |
|Is each function description clear?| X | |
|Has function priority been established?| X | |
|Are there job descriptions for critical functions?| X | |
|Have external dependencies been assigned?| X | |

|**Locations**|
|Is there one or more close alternate locations entered?| X | X |
|Is there one or more distant alternate locations entered?| X | X |
|Is there an offsite storage location listed?| X | X |

| Is access to the alternate locations and offsite storage location listed? | X | X |

|Is there an alternative IT processing site including address, name and contact information for those with access to key or codes?| X | X |

|If the alternative IT processing site is not in control of the entity, has the entity included a signed Memorandum of Understanding (MOU) updated every 2 years?| X | X |

|**Tests**|
|Is there a plan test report showing at least 2 tests per year?| X | |
|Is there a lessons learned/areas for improvement list included?| X | X |
|Has the plan been tested in the past 12 months?| X | X |

|**Employees**|
|Have a reasonable amount of employees been entered?| X | |
|Does each employee have contact information?| X | |
|Does each employee have an emergency contact with information?| X | |

|**Teams**|
|Are there teams with positions and tasks in the plan?| X | |
|Is there an IT recovery team listed for each critical application?| X | X |
|Does each team have positions?| X | |
|Does each position have employees?| X | |
# Arkansas Continuity of Operations Program Plan Review

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<tr>
<th></th>
<th>Date of Review</th>
<th>Plan Reviewer</th>
<th>Agency Name</th>
<th>Lead Planner</th>
<th>Comments</th>
</tr>
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<tbody>
<tr>
<td><strong>ACOOP Plan Score</strong></td>
<td>0%</td>
<td>0</td>
<td>43</td>
<td></td>
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<tr>
<td><strong>ADLA Score</strong></td>
<td>0%</td>
<td>0</td>
<td>17</td>
<td></td>
<td></td>
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<tr>
<td><strong>Do tasks address initial response?</strong></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<td>X</td>
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<td>X</td>
<td></td>
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Revised 04-10-2017   Reviewed 04-10-2017
<table>
<thead>
<tr>
<th>Arkansas Continuity of Operations Program Plan Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Review</td>
</tr>
<tr>
<td>Plan Reviewer                                        Carol M. Skill</td>
</tr>
<tr>
<td>Agency Name</td>
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<tr>
<td>Lead Planner</td>
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<tr>
<td>Plan Name</td>
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<tr>
<td>Totals</td>
</tr>
<tr>
<td>ACOOP Plan Score                                     0%  0  43</td>
</tr>
<tr>
<td>ADLA Score                                           0%  0  17</td>
</tr>
<tr>
<td>Call list</td>
</tr>
<tr>
<td>Is every employee on a call list?</td>
</tr>
<tr>
<td>Reporting Structure</td>
</tr>
<tr>
<td>Has a reporting structure been entered?</td>
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<tr>
<td>Succession Plans</td>
</tr>
<tr>
<td>Is there an orders of succession document?</td>
</tr>
<tr>
<td>Resource Assignments</td>
</tr>
<tr>
<td>Is there a list of vital records needed to support critical functions?</td>
</tr>
<tr>
<td>Is there a list of critical software including priority of restoration?</td>
</tr>
<tr>
<td>Is there a list of critical vendors including contact information?</td>
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<tr>
<td>Is there a list of supplies needed to support critical functions?</td>
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<tr>
<td>Is there a detailed list of system hardware requirements for critical applications?</td>
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<tr>
<td>Is there a list of essential equipment needed to support essential functions?</td>
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<tr>
<td>Additional Elements of a Viable COOP</td>
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<tr>
<td>Is there a multi-hazard response plan?</td>
</tr>
<tr>
<td>Is there a map of the facility and an evacuation route?</td>
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<tr>
<td>Is there an office manual/manual procedures included?</td>
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<tr>
<td>Are there pandemic flu policies/considerations documents?</td>
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<tr>
<td>Is there a devolution document?</td>
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<tr>
<td>Is there a media statement?</td>
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<tr>
<td>Is there procedure documentation for restoring IT systems?</td>
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<tr>
<td>Is there procedure documentation for critical functions?</td>
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<tr>
<td>Is there a cross training plan addressing critical functions?</td>
</tr>
</tbody>
</table>

Revised 04-10-2017   Reviewed 04-10-2017
A RESOLUTION PROVIDING FOR THE ADOPTION OF A BUDGET FOR THE CITY (OR TOWN) OF ____________, ARKANSAS, FOR THE TWELVE (12) MONTHS BEGINNING JANUARY 1, 20___ AND ENDING DECEMBER 31, 20____, APPROPRIATING MONEY FOR EACH ITEM OF EXPENDITURE THEREIN PROVIDED FOR; AND FOR OTHER PURPOSES.

WHEREAS, the City (or Town) Council has made a comprehensive study and review of the proposed budget submitted by the mayor, and;

WHEREAS, it is the finding and conclusion of the City (or Town) Council that the schedules and exhibits of anticipated revenues and expenditures for the calendar year appear to be as accurate as possible for budgetary purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY (OR TOWN) COUNCIL OF ____________, ARKANSAS:

Section 1. This resolution shall be known as the budget resolution for the City (or Town) of ____________, Arkansas, for the twelve (12) month period beginning January 1, 20___ and ending December 31, 20__.

Section 2. The budget for the period described in Section 1 of this Resolution shall be:

[Insert Budget figures here]

Section 3. The respective funds for each item of expenditure proposed in the budget for 20__ are hereby approved and adopted for the operation of the City (or Town)

NOTE: If this resolution is used as presented it must include the budget document.

Because the Arkansas Municipal League (“AML”) cannot anticipate when every city (or town) will pass its budget, as an option the following emergency clause is included in this footnote. This Language should be added to the resolution if an emergency is to be declared:

A. After footnote 2 add: DECLARING AN EMERGENCY

B. After Section 4 add: Section 5. WHEREAS, the efficient operation of municipal government requires that a budget be planned and adopted by the governing body, and that without a budget the city (or town) may not pay its bills, debts or liabilities; now, therefore, an emergency is hereby declared to exist and this resolution being necessary for the preservation of the public peace, health and safety shall take effect and be in force from and after its passage and approval.
of ___________, Arkansas, by the City (or Town) Council on this date and constitute an appropriation of funds which are lawfully applicable to the items contained within the budget. This budget may be altered or revised by action of this governing body and unpledged funds may be subsequently appropriated to another purpose except as prohibited by law. A.C.A. § 14-58-203(a).³

Section 3. The Mayor or his duly-authorized representative may approve for payment, out of funds appropriated by this budget or otherwise approved by the city council for those purposes, or may disapprove any bills, debts, or liabilities asserted as claims against the City (or Town).⁴ Provided, however, that the execution of all contracts and conveyances and lease contracts shall be performed by the mayor and city clerk or recorder, when authorized by a resolution in writing and approved by a majority vote of the city council present and participating.⁵

Section 4. If any provision of this resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the resolution which can be given effect without the invalid provision or application, and to this end the provisions of this resolution are declared to be severable.

DATED:__________________________  APPROVED:__________________________

                      Mayor

ATTEST:__________________________

                      Recorder or City Clerk

³ All of the statutes cited may be found in the Handbook for Arkansas Municipal Officials.

⁴ Under A.C.A. § 14-58-305, the following language is mandatory for cities of the first class and must be added to this. First class cities add the following: “up to a maximum amount allowed by Arkansas law and the payment or disapproval of any bills, debts or liabilities exceeding that amount shall require the confirmation of this governing body.” For cities of the first class only, all purchases in excess of Twenty-Thousand Dollars ($20,000.00) must be made via competitive bidding, see A.C.A. § 14-58-303. All cities and towns must bid on public improvements as defined in A.C.A. § 22-9-203 when all estimated costs of the work exceed Thirty-Five Thousand Dollars ($35,000.00).

⁵ See Ark. Code Ann. § 14-54-302(c).
SAMPLE

Final Resolution for the Revision of the Municipal Budget

Resolution No. ______

A RESOLUTION PROVIDING FOR THE REVISION OF THE BUDGET FOR THE CITY (OR TOWN) OF __________, ARKANSAS, FOR THE PREVIOUS BUDGET BEGINNING JANUARY 1, 20___ AND ENDING DECEMBER 31, 20____.

WHEREAS, the City (or Town) Council passed a lawful budget on _______, and;

WHEREAS, the City needs to adjust the budget and close it, and;

WHEREAS, the City must approve the adjustment and closing of the budget for the City for the year 20__.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY (OR TOWN) COUNCIL OF ______________, ARKANSAS:

Section 1. This resolution shall be known as the final budget resolution for the City (or Town) of ___________, Arkansas, for the twelve (12) month period beginning January 1, 20___ and ending December 31, 20__.

Section 2. The final budget described in section 1 shall be as follows:

[INSERT AMENDED BUDGET HERE]

Section 3. If any provision of this resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the resolution which can be given effect without the invalid provision or application, and to this end the provisions of this resolution are declared to be severable.

DATED:_________________________  APPROVED:_________________________

Mayor

ATTEST:_________________________

Recorder or City Clerk
Fair Labor Standards Act Rules Update:
Overtime Salary Exemption Thresholds

On Tuesday, September 24, 2019, the Department of Labor (“DOL”) announced its final rule updating the overtime salary thresholds for exempt employees under the Fair Labor Standards Act (“FLSA”). There were no changes to the current duties test for determining who is exempt, and the new rule is effective January 1, 2020.

The rule change has a tortured history, reaching back to May 18, 2016, when the White House announced changes to the salary threshold required for employees to fall into one of the FLSA overtime exemptions. That proposed rule would have set the primary threshold to a minimum of $913 per week ($47,476 annually). However, the rule never went into effect after several state attorneys general and private entities challenged the rule in court. After the challenge, the DOL set about establishing an update that would not invite legal challenges, and the updated rule was announced this week.

The new rule updates the regulations governing which executive, administrative, and professional employees are entitled to the FLSA’s overtime pay protections. Generally, the rule changes mean that more employees are going to be entitled to overtime pay because fewer employees will meet the exceptions required to be exempt under the rules.

The Previous Version:

1) A “white collar worker” who made at least $455 per week ($23,660.00 per year) could be exempt from overtime pay, if other factors (job duties) were met; and

2) A “highly compensated worker” could be exempt from overtime requirements where he or she made at least $100,000.00 in total annual compensation.

The 2019 changes:

1) In order to meet the “white collar worker” exemption an employee must be paid at least $684 per week ($35,568.00 annually for a full-year worker). Additionally, the salary basis test now allows employers to use nondiscretionary bonuses and incentive payments (including commissions) to satisfy up to 10 percent of the new standard salary level;

2) In order to meet the “highly compensated workers” exemption an employee must be paid at least $107,432.00 in total annual compensation.

Resources: Arkansas Municipal League’s updated FLSA 21 Things You Should Know publication, which may be found at: www.arml.org/pubs; and the DOL’s publications on the rule changes, which may be found at: www.dol.gov/whd/overtime2019.
All Employees

1. The minimum wage in Arkansas is $8.50 per hour for the year 2018. “Beginning January 1, 2019, every employer shall pay each of his or her employees wages at the rate of not less than nine dollars and twenty-five cents ($9.25) per hour, beginning January 1, 2020 the rate of not less than ten dollars ($10.00) per hour and beginning January 1, 2021 the rate of not less than eleven dollars ($11.00) per hour except as otherwise provided in this subchapter.” (A.C.A. § 11-4-210(a)(2)).

   Note: The federal minimum wage for covered, non-exempt employees is $7.25 per hour. However, states are entitled to set a higher minimum wage. Accordingly, the higher Arkansas wage rates are applicable.

2. Overtime or compensatory time must be paid at time and one-half of the employee’s regularly hourly rate (29 U.S.C. § 207(a)(1)). Even if the employee receives a salary, overtime or compensatory time must be granted unless the employee is exempt as explained below.

   Employers cannot avoid paying overtime or compensatory time by averaging hours over several workweeks. The FLSA requires that each workweek stand alone (29 C.F.R. § 778.104). (But see chart below for information on uniformed employee shifts).

3. If an employee volunteers to substitute shifts with another employee after first obtaining the employer’s approval and works more than the maximum hours for a given work period as a result of the switch, his employer is not responsible for paying the additional overtime (29 C.F.R. § 533.31(a)). The regulations state that this may occur “only if employees’ decisions to substitute for one another are made freely and without coercion, direct or implied. An employer may suggest that an employee substitute or ‘trade time’ with another employee working in the same capacity during regularly scheduled hours, but each employee must be free to refuse to perform such work without sanction and without being required to explain or justify the decision.” (29 C.F.R. § 533.31(b)).

   Employers are not required to maintain a record of time traded and there is no specific period of time in which the shift must be paid back (see 29 C.F.R. § 533.31). Therefore, the employee’s paycheck for that period would not reflect the switch in additional hours or overtime pay (29 C.F.R. § 553.31).

4. Employees do not have to be paid for “on-call” time unless their activities are overly restricted (29 C.F.R. § 785.17). On-call time should not be counted as compensable unless the employee is required to remain at or near the employer’s premises or otherwise cannot use his or her time freely (29 C.F.R. § 785.17). Providing electronic pagers or cell phones to employees can solve many on-call time problems.
Exempt Employees

5. Elected municipal officials, their personal staffs, persons appointed by elected officials to serve on a policy making level, and legal advisors are considered exempt employees and are excluded from coverage under the Fair Labor Standards Act (29 C.F.R. § 553.11).

6. Trainees and students are not employees within the meaning of the Fair Labor Standards Act if they meet all six criteria below:
   (1) The training, even though it includes actual operation of the facilities of the Federal activity, is similar to that given in a vocational school or other institution of learning;
   (2) The training is for the benefit of the individual;
   (3) The trainee does not displace regular employees, but is supervised by them;
   (4) The Federal activity which provides the training derives no immediate advantage from the activities of the trainee; on occasion its operations may actually be impeded;
   (5) The trainee is not necessarily entitled to a job with the Federal activity at the completion of the training period; and
   (6) The agency and the trainee understand that the trainee is not entitled to the payment of wages from the agency for the time spent in training (5 C.F.R. § 551.104).

7. Volunteers are not employees and an employee cannot volunteer to do the same work for the same public agency which he is being paid (29 C.F.R. §§ 553.100, 553.102).


9. Executive, administrative, and professional white-collar employees are exempt from both minimum wage and overtime provisions if they meet all the requirements specified for their job category. These are not the only exemptions, but are the most typical in Arkansas cities and towns.

   Note: The salary rate is scheduled to increase from $455 per week to $684 per week, effective January 1, 2020.

   a. Executive employees
      (1) The employee must be compensated on a salary basis at a rate not less than $455 per week ($684 per week, effective January 1, 2019);
      (2) The employee’s primary duty must be managing the enterprise in which the employee is employed or managing a customarily recognized department or subdivision of the enterprise;
      (3) The employee must customarily and regularly direct the work of two or more other full-time employees or their equivalent; and
      (4) The employee must have the authority to hire or fire other employees, or the employee’s suggestions and recommendations as to the hiring, firing, advancement, promotion or any
other change of status of other employees are given particular weight (29 C.F.R. § 541.100).

b. Administrative employee

(1) Compensated on a salary or fee basis at a rate of not less than $455 per week exclusive of board, lodging or other facilities ($684 per week, effective January 1, 2019);;

(2) Whose primary duty is the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer’s customers; and

(3) Whose primary duty includes the exercise of discretion and independent judgment with respect to matters of significance (29 C.F.R. § 541.200).

c. Professional employee

(a) The term “employee employed in a bona fide professional capacity” in section 13(a)(1) of the Act shall mean any employee:

(1) Compensated on a salary or fee basis at a rate of not less than $455 per week exclusive of board, lodging, or other facilities ($684 per week, effective January 1, 2019); and

(2) Whose primary duty is the performance of work:

   (i) Requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction; or

   (ii) Requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor (29 C.F.R. § 541.300).

d. Computer Employee Exemption

(a) Computer systems analysts, computer programmers, software engineers or other similarly skilled workers in the computer field are eligible for exemption as professionals under section 13(a)(1) of the Act and under section 13(a)(17) of the Act. Because job titles vary widely and change quickly in the computer industry, job titles are not determinative of the applicability of this exemption.

(b) The (a)(1) exemption applies to any computer employee compensated on a salary or fee basis at a rate of not less than $455 per week exclusive of board, lodging or other facilities, and the (a)(17) exemption applies to any computer employee compensated on an hourly basis at a rate not less than $27.63 an hour ($684 per week, effective January 1, 2019). In addition, under either section 13(a)(1) or section 13(a)(17) of the Act, the exemptions apply only to computer employees whose primary duty consists of:

(1) The application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software or system functional specifications;

(2) The design, development, documentation, analysis, creation, testing or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;
(3) The design, documentation, testing, creation or modification of computer programs related to machine operating systems; or

(4) A combination of the aforementioned duties, the performance of which requires the same level of skills (29 C.F.R. § 541.400).

10. Employees of amusement or recreational establishments are exempt from minimum wage and overtime if one of the following requirements is satisfied:

   (a) The establishment must not operate for more than seven months in any calendar year.

   (b) During the preceding calendar year, the establishment’s average receipts for any six months of that year must have been equal to or less than one-third of its average receipts for the other six months of that year (29 C.F.R. § 779.385).

Uniformed Employees-Police and Fire

11. Law enforcement officers in cities and towns with fewer than five (5) law enforcement officers, including the chief or marshal, are exempt from the overtime provisions (29 U.S.C. § 213(b)(20); 29 C.F.R. §§ 553.200, 553.211). To count as a law enforcement officer, the officer must be someone: (1) who is a uniformed or plain clothed member of a body of officers and subordinates who are legally authorized to enforce laws designed to maintain public peace and order and to protect both life and property from accidental or willful injury, and to prevent and detect crimes, (2) who has the power to arrest, and (3) who is presently undergoing or has undergone or will undergo on-the-job training and/or a course of instruction and study which typically includes physical training, self-defense, firearm proficiency, criminal and civil law principles, investigative and law enforcement techniques, community relations, medical aid and ethics (29 C.F.R. § 553.211).

   Volunteers are not considered “employees” for this purpose however. No distinction is made between part-time and full-time employees.

   This means that if you have four (4) or fewer than four (4) law enforcement officers (not including radio operators), the city does not have to pay overtime. You must be sure your officers receive minimum wage for all hours worked in a work period.

12. Cities and towns with fewer than five (5) paid firefighters, including the chief (if paid), are exempt from paying overtime to those employees who meet the following definition:

   “Employee in fire protection activities” means an employee, including a firefighter, paramedic, emergency medical technician, rescue worker, ambulance personnel, or hazardous materials worker, who--

   (1) is trained in fire suppression, has the legal authority and responsibility to engage in fire suppression, and is employed by a fire department of a municipality, county, fire district, or State; and

   (2) is engaged in the prevention, control, and extinguishment of fires or response to emergency situations where life, property, or the environment is at risk (29 U.S.C. § 203(y); see also 29 C.F.R. § 553.210(a)).
You must be sure your paid firefighters (four or fewer) receive minimum wage for all hours on duty during the work period (see 29 U.S.C. § 213(b)(20); A.C.A. § 11-4-210(a)(2)).

13. Volunteer firefighters and auxiliary police officers are “volunteers” and are not treated as employees under the 1985 Amendments to the Fair Labor Standards Act (29 C.F.R. § 553.104(b)).

14. The FLSA provides a partial overtime exemption for law enforcement officers and firefighters who work a “work period” established by the city of no fewer than seven days and no more than twenty-eight days. The city can establish separate work periods for the police department and the fire department. If the city fails to establish a work period, 207(k) does not apply and a fire or police employee working over forty hours will accrue overtime compensation (29 C.F.R. § 553.230).

The Secretary of Labor has set maximum hour standards based on a 28-day work period for both fire department and law enforcement personnel, determining that law enforcement employees who work over 171 hours within a 28-day work period must be compensated for those hours in excess of 171 and that fire department employees working in excess of 212 hours within a 28-day period must also be compensated (29 C.F.R. § 553.230). These 28-day standards can be used as ratios to determine maximum hours for other approved work periods. See the following chart.
### Maximum Hour Standards for work periods of 7 to 28 days – section 7(k). 29 C.F.R. § 552.230.

<table>
<thead>
<tr>
<th>Work period (days)</th>
<th>Fire protection</th>
<th>Law enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>212</td>
<td>171</td>
</tr>
<tr>
<td>27</td>
<td>204</td>
<td>165</td>
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<td>26</td>
<td>197</td>
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<td>7</td>
<td>53</td>
<td>43</td>
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</table>

When determining compensatory time for either law enforcement personnel or firefighters who miss a shift due to illness, vacation, personal leave, or any other reason, hours missed will not count as hours worked and are not compensable for overtime purposes (29 C.F.R. §§ 553.201, 553.230).

15. Civilian radio operators, clerks, secretaries, and janitors of police and fire departments are on a 40-hour workweek with time and one-half for all hours over 40 hours per week. They do not qualify for the law enforcement officers or firefighters’ “work period” hours exemption (see 29 C.F.R. §§ 553.210(b), 553.211(e)).

16. The city as employer has the option of paying overtime or of giving comp time off. The employee must understand that the city has a policy of compensatory time off. Compensatory time is accrued at 1 ½ hours for each hour worked. Public safety employees—police and fire—and emergency response employees can accrue a maximum of 480 hours of comp time or 320 hours worked. After an employee has accrued maximum compensatory time, the employee must be paid in cash for overtime worked.

   An employee shall be permitted to use accrued comp time within a reasonable period after requesting it if to do so would not disrupt the operations of the employer. Payment of accrued
comp time upon termination of employment shall be calculated at the average regular rate of pay for the final three years of employment or the final regular rate received by the employee, whichever is higher (29 C.F.R. § 553.21(o)(3)(B)).

If the employer pays cash wages for overtime hours rather than in compensatory time, the wages must be paid at one and one-half times the employee’s regular rate of pay (29 C.F.R. § 553.232).

The United States Supreme Court has held that a public employer may require its employees to use their accumulated compensatory time. Christensen v. Harris County, 529 U.S. 576, 120 S.Ct. 1655 (2000). If employees do not use accumulated compensatory time, the employer must pay cash compensation in some circumstances. In order to avoid paying for accrued compensatory time, Harris County, Texas, enacted a policy requiring its employees to schedule time off in order to reduce the amount of accrued compensatory time.

The Court described Harris County’s policy as follows: “The employees’ supervisor sets a maximum number of compensatory hours that may be accumulated. When an employee’s stock of hours approaches that maximum, the employee is advised of the maximum and is asked to take steps to reduce accumulated compensatory time. If the employee does not do so voluntarily, a supervisor may order the employee to use his compensatory time at specified times.” The Court held that, although 29 U.S.C. § 207(o)(5) limits an employer’s ability to prohibit the use of compensatory time when requested, that does not restrict the employer’s ability to require employees to use compensatory time.

Non-Uniformed Employees

17. All non-uniformed employees are entitled to overtime or compensatory time off after 40 hours per week worked unless they are otherwise exempt (see, for example the categories discussed in No. 8 above) (29 C.F.R. § 778.101).

18. There is no FLSA limit on the number of hours per day worked (other than child labor) (29 C.F.R. § 778.102).

19. A work week under the FLSA is defined as seven consecutive 24-hour periods (although this may be altered for police and firefighters as discussed above). Note that this may not be the same as the city’s “pay period.” The city can determine the day and the time of day that the work week begins. Once the beginning time of an employee’s workweek is established, it remains fixed regardless of the schedule of hours worked by him. The beginning of the workweek may be changed if the change is intended to be permanent and is not designed to evade the overtime requirements of the Act (29 C.F.R. § 778.105). We recommend that the city work week for water, sewer, street, sanitation, etc., employees begin at 5 p.m. on Fridays.

The city can schedule the hours worked within the work week to limit or prevent overtime. If an emergency occurs over the weekend and some employees must work 16 hours Saturday and 16 hours Sunday, then the city can (if their services are not absolutely needed) tell those
employees to take off the rest of the week after working one eight hour shift each. This way each employee is limited to 40 hours per week for the week beginning 5 p.m. on Friday.

20. Only hours worked count in calculating overtime. Pay for holidays, vacations, sick time, jury duty, etc., do not count as hours worked (see 29 C.F.R. § 778.102).

21. If an employee works more than 40 hours per week, the city could give him compensatory time off at the rate of 1 ½ hours for each hour worked over 40 hours per week. The compensatory time belongs to the employee and can accrue to a maximum of 240 hours (160 hours actual work).

The employee must be allowed to use his comp time when he desires unless it would unduly disrupt the city’s operations to do so at that particular time. For a discussion of requiring the employee to take accumulated compensatory time, see point 16 above.

In case of termination of employment, an employee shall be paid for all accrued comp time at his then salary or the average rate of pay for the final three years of employment, whichever is greater (29 C.F.R. §§ 553.21, 553.25).
How to Become a Certified Municipal Official (CMO) or Certified Municipal Personnel (CMP)

September 2019
Becoming a CMO/CMP

All municipal officials—mayors, city administrators, city managers, city directors, council members, city clerks, recorders, treasurers; or municipal department heads, managers, and other key personnel—are invited to participate in the new advanced voluntary certification program.

To become a Level 1 Certified Municipal Official (CMO) or Certified Municipal Personnel (CMP), a participant must complete 21 hours of the Level 1 courses, which must include 15 hours of “core” coursework. Each core course counts as five hours of credit. The remaining six hours of credit needed to achieve CMO/CMP status may be obtained by attending continuing education courses held during the League’s annual Winter Conference, annual Convention in June, or the Planning & Zoning Workshop held in April on the odd years.

The three Level 1 core courses are repeated each year and are designed to give an overview of local governance. Continuing education courses, however, cover a variety of topics.

Advanced Level Training

For the first time, advanced level training will be offered to our members. The new advance classes will include 15 hours of Advanced Level 2 training and 20 hours of Advanced Level 3 training. Participants pursuing any and all levels of certification must obtain six hours of Continuing Education on an annual basis to maintain certification status.

If you have previously achieved your Level 1 training of 21 hours and received your certification certificate, you may advance to Level 2 training.
Maintaining Certification

Once CMOs/CMPs complete Levels 1, 2, and 3, the League encourages participants to maintain their certification moving forward by obtaining six hours of continuing education annually.

Registration Policy for Voluntary Certification Workshop Attendance

The Arkansas Municipal League’s Voluntary Certification Program is offered to mayors, city administrators, city managers, city directors, council members, city clerks, recorders, and treasurers who are currently in office; or municipal department heads, managers, and other key personnel. Members attend workshops to receive certification credit hours to obtain their CMO or CMP certificates.

Candidates running unopposed for one of the above positions may attend certification workshops if space permits. Candidates who do not fit this criteria may not attend certification workshops.

Course Schedule

Please examine the class schedule in this brochure for a preview of the next two years. Specific dates are assigned each year at the League’s annual planning meeting in August. For the current year’s schedule, consult the Calendar of Events on the League’s website, www.arml.org.

Officials may check their voluntary certification hours at the following link: www.arml.org/VCP.
<table>
<thead>
<tr>
<th>Odd Year</th>
<th>Even Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January Winter Conference</strong></td>
<td>3 Hours of Continuing Education Held during Winter Conference</td>
</tr>
<tr>
<td>*City Government 101 (5 hours core) Held during Winter Conference</td>
<td></td>
</tr>
<tr>
<td>3 Hours of Continuing Education Held during Winter Conference</td>
<td></td>
</tr>
<tr>
<td><strong>April</strong></td>
<td>*City Government 101 (5 hours core) Held in April at League HQ</td>
</tr>
<tr>
<td>Planning &amp; Zoning Workshop (5 hours continuing) Held in April at League HQ</td>
<td></td>
</tr>
<tr>
<td><strong>June Convention</strong></td>
<td>3 Hours of Continuing Education Held during June Convention</td>
</tr>
<tr>
<td>3 Hours of Continuing Education Held during June Convention</td>
<td></td>
</tr>
<tr>
<td><strong>September</strong></td>
<td>*Finance &amp; Budgeting Workshop (5 hours core) Held in Sept. at League HQ</td>
</tr>
<tr>
<td>*Finance &amp; Budgeting Workshop (5 hours core) Held in Sept. at League HQ</td>
<td></td>
</tr>
<tr>
<td><strong>October</strong></td>
<td>*HR Workshop (5 hours core) Held in Oct. at League HQ</td>
</tr>
<tr>
<td>*HR Workshop (5 hours core) Held in Oct. at League HQ</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>*15 core hours + 6 continuing hours</td>
</tr>
<tr>
<td>*15 core hours + 6 continuing hours</td>
<td></td>
</tr>
</tbody>
</table>
One of the primary goals of the Arkansas Municipal League is to promote municipal education and provide local government officials with the knowledge and leadership skills to meet the challenges of the 21st Century. To that end the League’s Executive Committee in 2010 established a voluntary certification program for municipal officials. The purpose of the certification program is to increase municipal officials’ knowledge of local governance.
### Voluntary Certification Class Schedule

#### Level 1

City Government 101  
Municipal Finance 101  
Human Resources  

<table>
<thead>
<tr>
<th>Level</th>
<th>Continuing Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 hours</td>
<td>6 hours</td>
</tr>
</tbody>
</table>

#### Voluntary Certification Program

<table>
<thead>
<tr>
<th>Month</th>
<th>Even Year 2020</th>
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</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>Municipal Finance 201 (5 hours of Advanced Level 2)</td>
</tr>
<tr>
<td>Feb.</td>
<td>Winter Conference (3 Hours of Continuing Education)</td>
</tr>
<tr>
<td>Mar.</td>
<td>Disaster Preparedness (5 hours of Advanced Level 2)</td>
</tr>
<tr>
<td>April</td>
<td>City Government 101 (5 hours of Level 1)</td>
</tr>
<tr>
<td>May</td>
<td>Leadership 101 (5 hours of Advanced Level 2)</td>
</tr>
<tr>
<td>June</td>
<td>June Convention (3 Hours of Continuing Education)</td>
</tr>
<tr>
<td>July</td>
<td></td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td>Municipal Finance 101 Workshop (5 hours of Level 1)</td>
</tr>
<tr>
<td>Oct.</td>
<td>Human Resources (5 hours of Level 1)</td>
</tr>
<tr>
<td>Nov.</td>
<td>MHBP/MLWCP</td>
</tr>
<tr>
<td>Dec.</td>
<td></td>
</tr>
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</table>
## Voluntary Certification Program

<table>
<thead>
<tr>
<th>Advanced Level 2</th>
<th>Advanced Level 3</th>
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</thead>
<tbody>
<tr>
<td>Municipal Finance 201</td>
<td>Personnel Management</td>
</tr>
<tr>
<td>Disaster Preparedness</td>
<td>Technology/ Cybersecurity</td>
</tr>
<tr>
<td>Leadership 101 at the Local Level</td>
<td>Conflict Management</td>
</tr>
<tr>
<td>15 hours</td>
<td>Leadership 201 at the Local Level</td>
</tr>
<tr>
<td>20 hours</td>
<td></td>
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</table>

## Class Schedule

<table>
<thead>
<tr>
<th>Month</th>
<th>Odd Year 2021</th>
</tr>
</thead>
</table>
| Jan.  | Winter Conference  
City Gov’t 101 (5 hours of Level 1)  
plus (3 Hours of Continuing Education) |
| Feb.  | Personnel Management  
(5 hours of Advanced Level 3) |
| Mar.  | Technology/Cybersecurity  
(5 hours of Advanced Level 3) |
| April | Planning & Zoning  
(5 hours of Continuing Education) |
| May   | Conflict Management  
(5 hours of Advanced Level 3) |
| June  | June Convention  
(3 Hours of Continuing Education) |
| July  | Municipal Finance 101 Workshop  
(5 hours of Level 1) |
| Aug.  | Human Resources (5 hours of Level 1) |
| Sept. | Leadership 201 (5 hours of Advanced Level 3) |
| Oct.  | |
| Nov.  | |
| Dec.  | |
For more information on the Certification Program, contact Whitnee V. Bullerwell (501) 978-6105, email wvb@arml.org or Tricia Zello at (501) 374-3484 ext. 285, email tzello@arml.org.
Arkansas Municipal League

Great Cities Make a Great State
The Arkansas Municipal League was established in 1934 and is an agency of the municipalities of Arkansas. The League was created to assist cities with information and representation in the public affairs of our state and nation.

Membership is voluntary, and all 500 cities and towns in the state have chosen to participate. The membership represents 100 percent of the population of the cities and towns, which are home to approximately 65 percent of the state’s population. Cities and towns enjoy the League’s services and facilities year-round.

The Executive Committee, the governing body of the League, is composed of 30 members. The annual League convention elects six officers; the newly elected president appoints 24 Executive Committee members. The Executive Committee chooses the Executive Director, who is responsible for administering the League’s policies and programs. The Executive Director selects the staff, and they work together to provide Arkansas municipalities the best in League services and programs.
One goal of the Arkansas Municipal League is to promote the mutual interests of Arkansas municipalities. The League has been highly successful through the years in securing legislation beneficial to Arkansas cities and towns. The local sales tax authority, as an example, was a League initiative.

The League proposed and successfully fought to restore tort immunity for Arkansas’s local governments after the state Supreme Court had abolished it in 1968. Improved annexation procedures are products of League-proposed legislation.

The League seeks to provide Arkansas cities and towns with the laws that enable them to grow in an orderly manner without many of the problems that cities elsewhere encounter.

Through the League’s efforts, Arkansas has emerged as a leader among the states in turning funds back to local governments, where local officials and residents determine how the funds are spent, thereby assuring at least a minimum level of local services.

The Arkansas General Assembly’s annual sessions present a broad range of opportunities and challenges to municipalities and the League’s leadership. The League’s website, www.arml.org, is home to the Legislative Action Center, which consists of legislative information on both the state and federal levels that affects municipalities. One feature of the Legislative Action Center is the Legislative Bulletin, which allows members to view bills of interest to the League. The Center also features a bill-tracking tool, Legislative Committee information, as well as direct contacts for federal and state legislators.
Each year the League sponsors a Convention for municipal officials from across the state. The officials discuss mutual problems, discover the latest developments in local government and learn how they can govern more effectively and efficiently. Outstanding speakers—legislators, state and federal agency representatives and professionals from an array of fields—address topics of municipal concern. State and national legislative issues are discussed, and the League Policies and Goals statement for the coming year is adopted. No successful convention is all work, of course, and convention delegates, families and guests enjoy special activities, including banquets and live entertainment.

The League also conducts a Winter Conference along with periodical training meetings and seminars. It assists municipal officials and employees with current issues, technology and other developments and helps them gain expertise in dealing with municipal problems. The League partners with the Governor’s Office and the Arkansas DHS Division of Community Service and Nonprofit Support each year to recognize Arkansas’s cities and towns as Volunteer Communities of the Year. The League and Main Street Arkansas also work together to honor winning Main Street Arkansas participants. The League also partners with the Arkansas Business Publishing Group each year to present the Trendsetter City awards, designed to honor cities across the state for outstanding contributions to better their cities. The winners are featured in a special supplement to Arkansas Business. Visit www.arml.org and click on the Calendar of Events page for a current listing of meetings.

The League offers a Voluntary Certification program for municipal officials to increase their basic knowledge of local governance. The program has proven popular with city and town leaders across the state. To become a Certified Municipal Official, participants must achieve 21 hours of coursework, including 15 hours of core courses held at League headquarters throughout the year, and six hours of continuing education held at the Winter Conference and annual Convention. Officials can then maintain their certification by taking six hours of continuing education courses each year.
The Code Service that codifies a municipality’s ordinances into a single volume is an important League function. League-produced books of codified ordinances are valuable references for each participating city and town. Copies of the codified books of ordinances are made available to those needing a city or town’s laws. The mayor, city manager or administrator, city clerk, council members or city directors, and others can have their own copies of this handy reference.

The codification service updates the code books periodically as new city laws are adopted. The League’s staff of attorneys assists municipalities in drafting and revising municipal ordinances. The League keeps on hand sample ordinances on almost any subject of municipal concern. Municipal officials may use those samples as guides to write their own ordinances suitable for their particular needs.

The Inquiry Service allows League staff members to assist local officials with municipal problems. They answer questions concerning procedures for new officials and questions about League programs. The League staff is available by telephone, written correspondence, memoranda, email, and in person at League headquarters in North Little Rock. Staff members attend council meetings or meet officials locally, on request, as time permits.

Through Planning Services, the League offers to its member cities and towns the services of a registered city planner for teaching at seminars and for technical consultation. The first visit each year by the planner to a city for advice, information and consultation is a complimentary service. The League staff city planner writes a monthly City & Town column and also writes articles and book reviews.

The League’s Wellness Program, #AMLMoves, is designed to promote fitness, health and well-being among member cities. The program seeks to reduce employee sick leave, health insurance claims and premiums for cities and towns. The program’s aim is to create awareness, understanding and solutions for lifestyle risk factors that can contribute to health-related issues.
Publications and Website

The official publication of the Arkansas Municipal League, *City & Town*, is published monthly and disseminates legal advice, articles about cities and towns, sales tax data, state and federal laws and regulations, health, tree care, planning, engineering, animal control, classified advertising and other information to help cities and towns run more effectively and efficiently.

The *Handbook for Arkansas Municipal Officials* is published every other year after each regular Arkansas legislative session. Its codification of state laws that affect municipalities is a vital source of information for municipal officials.

Annual publications of the League include the *Directory of Arkansas Municipal Officials* and the *Salary Survey*. The Directory lists all Arkansas cities and towns, their officials, department heads, city hall addresses, telephone and fax numbers, emails, and websites. City classification, population, meeting days of the city council or board, and the county in which each municipality is located are included.

The League website, www.arml.org, displays information about the League, its services and programs, an events calendar, a training calendar, history, leadership, classifieds, resources, links about Arkansas cities and towns, and whom to call at the League for assistance. Links connect members to local, state, and national resources. The League regularly updates its publications, and they may be ordered, downloaded, and purchased directly from the website.

Additionally, the League’s microsite, www.greatcitiesgreatstate.com, offers deliverables to city officials wishing to educate their constituents on the vital services cities and towns provide. The materials available on the microsite help tell the story of the great work our hometowns are doing on a daily basis.
Optional Programs

The League provides the officials and employees of its cities and towns with many optional group programs.

- The **Municipal Health Benefit Fund** covers local officials and employees with an excellent benefit package.

- The **Municipal Officials Accidental Death and Dismemberment Plan** also covers city officials and department heads.

- The **Municipal Vehicle Program** offers low-cost vehicle coverage to member cities and towns. In addition, this program offers members access to a state-of-the-art driving simulator designed to hone safe and defensive driving skills.

- The **Municipal Property Program** began in 1985 and covers municipal properties.

- The **Municipal League Workers’ Compensation Trust** covers employees in more than 490 cities and towns. School districts also are eligible for coverage.

- The **Firefighters Supplemental Income Protection and Death Benefit Program** is a popular program available to cities and towns participating in the Workers’ Compensation Trust.

- The **Municipal Legal Defense Program** provides municipalities, municipal officials and employees with limited protection against lawsuits involving their assets. Participating municipalities’ annual program fees are based primarily on city population. A steering committee and the League Executive Director oversee the program.
• **Drug and alcohol testing** is available for municipal employees who hold commercial driver’s licenses (CDLs) and who operate safety-sensitive equipment. The program, begun in 1996 in response to a federal law, helps cities and towns comply with the federal mandate at a group rate with an established testing service. It is available to cities enrolled in the Municipal Legal Defense Program.

• **Drug and alcohol testing of non-CDL employees** is a program begun in 1999. The service includes pre-employment tests, random tests, post-accident tests, and reasonable-suspicion tests.

• The **Pension Management Trust** provides professional investment management for local police, fire and non-uniformed employee pension plans in Arkansas. The Trust manages the assets and provides administrative services and obtains greater earnings than local pension boards could achieve on their own. Local pension boards retain full control.

• The **Municipal Other Post Employment Benefits Trust** is available to assist cities in meeting future funding obligations for retirees in areas other than pensions, particularly healthcare.
Collaborative Organizations

American Planning Association, Arkansas Chapter
American Public Works Association
Arkansas Association of Chiefs of Police
Arkansas City Attorneys Association
Arkansas City Clerks, Recorders and Treasurers Association
Arkansas City Managers Association
Arkansas Emergency Management Association
Arkansas Municipal Power Association
Arkansas Recreation and Parks Association
Arkansas Water and Wastewater Manager’s Association
Association of Arkansas Governmental Finance Officers
Main Street Arkansas
National Association of Fire Chiefs, Arkansas Chapter
National League of Cities
Purchasing Agents Association
# Table of Contents

Introduction .................................................................................................................. 3
Disclaimer .......................................................................................................................... 3

Chapter I ......................................................................................................................... 4
An Overview of Arkansas Municipal Government ......................................................... 4
  Incorporation.................................................................................................................. 4
  Classification.................................................................................................................. 5

The Duties of the Mayor .................................................................................................. 5
  The Duties of the Mayor in the Mayor-Council Form of Government ......................... 5
  Legislative Duties of the Mayor .................................................................................. 5
  Administrative Duties of the Mayor .......................................................................... 6
  The Mayor's Duties of Appointment, Nomination and Removal ................................. 6

Duties of the Council Members ...................................................................................... 6
Mayo/Council Diagram ..................................................................................................... 7

Chapter II .................................................................................................................... 8
City Council Rules of Procedure and Different Types of Meetings ................................. 8
  Procedural Rules.......................................................................................................... 8
  Different Types of Meetings......................................................................................... 8

Chapter III .................................................................................................................. 9
Proper Ways to Pass Ordinances and Resolutions .......................................................... 9
  Resolutions.................................................................................................................. 9
  Ordinances.................................................................................................................... 9

Chapter IV ................................................................................................................ 10
Personnel .......................................................................................................................... 10
  Personnel Administration......................................................................................... 10
  Establishing Personnel Policies.............................................................................. 10
  The Employee Handbook......................................................................................... 11
  Unions or Professional Associations ....................................................................... 11

Chapter V .................................................................................................................. 12
Budgeting and Finances .................................................................................................. 12
  City Budgets............................................................................................................... 12
  Arkansas Law and Budgeting.................................................................................... 12
  Major Revenue Sources Available .......................................................................... 12
  Other Income (Miscellaneous Revenues). ................................................................. 13
  Purchasing and Bidding......................................................................................... 13
  Professional Services............................................................................................... 14

Chapter VI ................................................................................................................ 15
The Freedom of Information Act .................................................................................... 15
  Public Records........................................................................................................... 15
  Open Meetings.......................................................................................................... 15
  Executive Session...................................................................................................... 16

Chapter VII ............................................................................................................. 16
Functions of the Arkansas Municipal League ................................................................ 16
  Purpose..................................................................................................................... 16
  Organization............................................................................................................... 16
  League Activities...................................................................................................... 16
  League Services....................................................................................................... 17
  Publications and other League Resources .................................................................. 18
  Group Benefits Programs .......................................................................................... 19
  Conclusion................................................................................................................... 19
Introduction

As local government becomes increasingly complex, local officials must understand the duties and responsibilities of their offices. The purpose of this booklet is to assist newly-elected city officials in learning their statutory duties and responsibilities in order to become effective city leaders. This booklet also points out the differences in the functions of the various municipal offices.

Arkansas statutes are laws passed by the Arkansas General Assembly (the State Legislature) and are codified into the Arkansas Code Annotated of 1987 as amended. The Arkansas Municipal League has published a *Handbook for Arkansas Municipal Officials*, which contains most of the laws affecting municipal government in Arkansas. This Handbook has the same numbering system as the Arkansas Code Annotated (abbreviated as Ark. Code Ann. or A.C.A.) but does not contain all of the statutes found in the Arkansas Code (which occupies an entire bookshelf!) The Arkansas Municipal League also publishes a book, *General Acts Affecting Arkansas Municipalities*, after each regular session of the General Assembly.

The Arkansas Municipal League recommends that you, as a municipal official, ask your city attorney when you have legal questions or need assistance with legal issues. As always, the League staff remains available to assist you.

Disclaimer

The information contained in this book is not intended as legal advice for any specific case. Readers are responsible for consulting with legal counsel when questions arise concerning the application of the law to a particular set of facts. This book is intended solely for educational and informational purposes.
Chapter I
An Overview of Arkansas Municipal Government

Arkansas municipalities are creatures of the state. Prior to 2011, cities had only the powers granted to them by the Arkansas Constitution and statutes passed by the Arkansas General Assembly. This is known as Dillon’s Rule and, according to the Arkansas Supreme Court, it means:

a municipal corporation possesses and can exercise the following powers and no others: First, those granted in express words; second, those necessarily or fairly implied in or incident to the powers expressly granted; third, those essential to the accomplishment of the declared objects and purposes of the corporation—not simply convenient, but indispensable.


The Legislature expanded this rule to a certain extent for some cities. “Home Rule” statutes gave the power to first-class cities and certain cities operating under a charter the power to exercise all powers relating to municipal affairs so long as they did not conflict with state law. In 1875, the Legislature enacted A.C.A. § 14-55-102, which gave broad authority to municipalities by granting cities and towns the power to pass ordinances. Although § 14-55-102 could be interpreted as repealing Dillon’s Rule, the Arkansas Supreme Court continued to apply Dillon’s Rule long after the enactment of that statute in 1875, upholding ordinances under that section if they were legitimately aimed at protecting public health and safety.

However, Act 1187 of 2011 repealed Dillon’s Rule and extended certain powers granted to cities of the first class to all municipalities. A.C.A. § 14-43-602 states that the rule of decision known as Dillon’s Rule is inapplicable to the municipal affairs of municipalities. It gives a municipality the authority to “perform any function and exercise full legislative power in any and all matters of whatsoever nature pertaining to its municipal affairs including, but not limited to, the power to tax.” A.C.A. § 14-43-601 defines “municipal affairs” as “all matters and affairs of government germane to, affecting, or concerning the municipality or its government except state affairs subject to the general laws of the State of Arkansas,” which are listed in §14-43-601(a)(1). A municipality may legislate upon the state affairs described in subdivision (a)(1) of § 14-43-601 if not in conflict with state law.

Incorporation

An Arkansas community may incorporate by a written petition that describes the geographic area seeking to incorporate and identifying the persons authorized to act on behalf of the petitioners. The petition must be signed by at least 200 or a majority of the qualified electors, whichever is greater, and presented to the county court (county judge). The county court shall set a date for a hearing and, after the hearing, the court will either approve or reject the incorporation. If approved, the incorporation is filed with the Secretary of State and notice of election of officers for the newly-incorporated municipality is posted. New cities or towns cannot incorporate if they are within three (3) miles of the boundaries of another incorporated city or town unless the governing body of that city or town has “by written resolution affirmatively consented to said incorporation.” In addition, certain real estate developments are exempt from the three-mile limitation requirement. A.C.A. § 14-38-101. Note that Act 932 of 2019 makes an exception to the consent requirement if the area seeking to be incorporated contains a population of fifteen-hundred (1,500) or more.

Arkansas law also allows for an election procedure as an alternative for the incorporation of new municipalities having a population of at least 1,500. A.C.A. § 14-38-115 (As amended by Act 932). Once a city or town has become incorporated, it may annex additional territory as described in Municipal Annexation, Incorporation and Boundary Changes (2019), published by the Arkansas Municipal League.
Classification
Arkansas municipalities are divided into three (3) classes based on population. A.C.A §§ 14-37-102 & 103.

<table>
<thead>
<tr>
<th>Class of City</th>
<th>Population</th>
<th>Referred to As</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2,500 or more</td>
<td>City of the First Class</td>
</tr>
<tr>
<td>Second</td>
<td>500-2,499</td>
<td>City of the Second Class</td>
</tr>
<tr>
<td>Incorporated</td>
<td>499 or fewer</td>
<td>Incorporated Town</td>
</tr>
</tbody>
</table>

Once a municipality reaches a population of 500, it is classified as a city of the second class, and once a municipality reaches a population of 2,500, it is classified as a city of the first class. However, there are exceptions to these classification criteria. If the council of a town with less than 500 population wishes to become a city of the second class, it may do so by submitting an ordinance to the voters, and if the voters approve, the town becomes a city of the second class. Further, any city with of a population of 1,500 or more may, by enactment of an ordinance, become a city of the first class. A.C.A. § 14-37-103. Arkansas law also allows for cities with certain populations to reduce their classification. A.C.A. §§ 14-37-111 and 14-37-114.

The Duties of the Mayor

All mayors are encouraged to become familiar with their duties and responsibilities by reading the sections concerning the powers of the mayor in the current Handbook. The purpose of this Guidebook is to give a summary and overview of the duties of mayor.

**The Duties of the Mayor in the Mayor-Council Form of Government**

The principal officer of all Arkansas cities and towns within the mayor/council form of government is the mayor. By virtue of this position, the mayor is ex-officio president of the council. It is the mayor's responsibility to keep the city government running properly. This includes enforcing city ordinances and making sure that the residents receive maximum benefits and services for the taxes that they pay.

**Legislative Duties of the Mayor**

- In all municipalities in Arkansas, the mayor presides over the meetings of the council in cities and towns with the mayor/council form of government.
- The mayor may vote when the mayor's vote is needed to pass any ordinance, bylaw, resolution or motion. A.C.A. §§ 14-43-501; 14-44-107; 14-45-105. Mayors in cities of the first and second class have a vote to establish a quorum. A.C.A. §§ 14-43-501; 14-44-107.
- After the passage of an ordinance setting the procedure for special council meetings, the mayor has the authority to call the council into session for a special meeting. A.C.A. § 14-43-502.
- The mayor is required to sign all ordinances, resolutions and city council minutes. A.C.A. § 14-55-205.
- If provided by council rules, the mayor may introduce ordinances and resolutions and recommend policy.
- The mayor in cities and towns with the mayor/council form of government may veto any ordinance, resolution or order adopted by the council. Councils may override the veto by two-thirds vote of the total membership of the council. A.C.A. §§ 14-43-504; 14-44-107; 14-45-105.
- The vote to override should occur at the next regular council meeting. A.C.A. §§ 14-43-504; 14-44-107; 14-45-105.
• **Administrative Duties of the Mayor**
  - Mayors of cities and towns with the mayor/council form of government are required to prepare and submit a budget to the city council for approval on or before December 1 of each year (See Chapter V).
  - All mayors of cities of the first class must submit to the city council within the first 90 days of each year a complete report on the financial and administrative activities of the city. This is commonly referred to as the State of the City Report. A.C.A. § 14-58-302.
  - The mayor shall also “keep the governing body advised as to the financial condition and future needs of the city and make such recommendations as to him or her may be desirable.” A.C.A. § 14-58-302.
  - The mayor oversees the day-to-day activities of the city and supervises department heads.

• **The Mayor’s Duties of Appointment, Nomination and Removal**
  Mayors in cities or towns with the mayor/council form of government have the power to appoint and remove all department heads, including police and fire chiefs, unless the city or town council votes to override the mayor’s action by a two-thirds majority of all council members. In cities with a civil service commission, the council may, by ordinance, delegate the authority to appoint and remove the police or fire chief to the city’s civil service commission. The mayor may not appoint or remove department heads that are not under the control of the governing body of the city. A.C.A. § 14-42-110.

  Mayors may also appoint or nominate:
  - A building official (A.C.A. § 14-56-202(b)).
  - A board of library trustees (A.C.A. § 13-2-502 [with city council approval]).
  - A health officer, when the position has been created by ordinance (A.C.A. § 14-262-103).
  - An airport commission (with council approval) (A.C.A. § 14-359-105).
  - A parks and recreation commission (A.C.A. § 14-269-202 [with council confirmation] and 14-269-302 [with council confirmation]).
  - A marshal in some second class cities (A.C.A. § 14-44-111).
  - An at-large member of an Advertising and Promotion Commission (with council approval) (A.C.A. § 26-75-605).

• **Duties of the Council Members**
  City council members are officers and officials of their city. The city council:
  - Enacts ordinances and bylaws concerning municipal affairs that are consistent with state law in order to promote the health, safety, and welfare of the public. A.C.A. §§ 14-55-102; 14-43-602.
  - Has the management and control of the city finances and all real and personal property belonging to the city. A.C.A. § 14-43-502.
  - Adopts a budget by ordinance or resolution for operation of the city or town by February 1 of each year. A.C.A. § 14-58-202.
  - Sets the procedures by ordinance for making purchases that do not exceed the sum of $20,000 in cities of the first class, except as provided in A.C.A. § 14-58-104. Councils in second class cities and in towns may set procedures for making purchases, except as provided in section 14-58-104. A.C.A. § 14-58-303(b).
  - Sets the time and place for regular city council meetings (A.C.A. § 14-43-501). All meetings should be open to the public in accord with the state Freedom of Information Act. A.C.A. § 25-19-106.
  - May override the mayor’s appointment and removal of department heads by a two-thirds vote of the total membership. A.C.A. § 14-42-110.
• May override the mayor’s veto by a two-thirds vote. A.C.A. §§ 14-43-504; 14-44-107; 14-45-105.
• Calls for a special election in cities of the first class to fill the vacancy of the unexpired mayor’s term of office, if the unexpired term is for more than one (1) year. A.C.A. § 14-43-401(b).
• May fill, by appointment in cities of the first class, the vacancy to the office of mayor if the expired term is less than one (1) year. A.C.A. § 14-43-401(b)(1).

In a city of the second class or an incorporated town the city council shall fill a vacancy in the mayor’s office for the unexpired term by either a majority vote of the council members or a special election. A.C.A. §§ 14-44-106; 14-45-103).

• Sets the salaries of the mayor, council and other municipal officials. Salaries of officials may be increased, but not decreased, during the term of office, except that the official receiving the salary may request a decrease. A.C.A. § 14-42-113.
• Either establishes a city fire department or, by ordinance, enters into a contract or interlocal agreement for city fire protection with an existing fire department certified by the Arkansas Fire Protection Services Board. The council may promulgate rules to govern a city fire department. A.C.A. § 14-53-101.
• Establishes a city police department and organizes it under the general superintendence of the mayor. A.C.A. § 14-52-101. Directs by ordinance the number of subordinate number of officers to be appointed. A.C.A. § 14-52-201.
• Sets the rates for city utilities and establishes fees for city services.
• Enacts ordinances establishing sales taxes and referring same to the voters.
• Takes actions leading to annexation of territory to the city.
• Establishes and certifies to the county clerk the amount of property taxes to be levied within the city or town prior to the regular meeting of the quorum court in November or December of each year. A.C.A. §§ 26-73-202; 14-14-904.
• May establish (and abolish) various commissions to manage and operate such services as parks, utilities, an airport, advertising and promotion, planning and others, as provided by state law.

**Mayor/Council Diagram**

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  Voters
   ↓
  Clerk or Recorder  Treasurer  Mayor  Council  City Attorney
   ↓
Department Heads
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Chapter II
City Council Rules of Procedure and Different Types of Meetings

Procedural Rules
Each Arkansas city and town is unique. Your municipality and the residents you represent are no exception. The council rules of procedure should be agreed to and officially adopted by the majority of the council members. Rules of procedure are guides to the generally-accepted way that things get done. Topics that are usually covered in procedural rules include:

• Meetings: the usual date, time and place for regularly scheduled meetings. Setting the procedure for calling a special meeting must be done by ordinance.
• Order of Business: the usual format to be followed, including who is responsible for preparing the agenda according to that format, and special provisions for agenda items such as developing a consent agenda.
• General Meeting Procedures: time limits for debate, if any, and who may speak at what point.
• Public Hearings: procedure and time limits.
• New Business: a process for allowing new items to be added to the agenda.
• Exceptions: specific provisions for when and how the rules can be suspended.
• Parliamentary Process: rules of debate governing motions, the order of issues to be discussed, and other elements that control discussion at meetings. The Procedural Rules for Municipal Officials (2014) booklet is used by many Arkansas cities. Copies of Procedural Rules are available by calling the Arkansas Municipal League at (501) 374-3484. You also download it online from www.arml.org/services/publications/publications-for-free.

Rules of procedure and public debate are designed to facilitate the transaction of public business in an orderly way. At first it may not seem orderly to you. It is not unusual for newly-elected council members to take up to six (6) months before they feel comfortable with the procedures. Do not be hesitant about asking questions if you are not sure about the consequences of your vote. For example, you may want to ask, “If I vote ‘no’ on the amendment, what happens to the main motion?” That is a reasonable request for information.

Different Types of Meetings
Newly elected officials should quickly learn that there are four kinds of meetings.

• Regular Council Meetings: These meetings handle general and routine business.
• Special Meetings: Business that cannot be postponed, or issues that affect a limited number of citizens, are dealt with at a specially-scheduled meeting. These meetings usually have a more limited agenda than regular meetings but, like regular meetings, they are open to the public. It is important that the time and place of meetings of this sort are announced to the media as required by the Freedom of Information Act. Media that have requested notice must be given at least two hours advance notification. A.C.A. § 25-19-106(b).
• Public Hearings: Hearings are a forum for residents to express opinions and for council members to explain their positions to the public. Hearings are most effective when they target only one item per hearing, for example, the budget or a re-zoning request.
• Work Session: An informal meeting, generally called for the purpose of conducting an in-depth study on a limited number of topics. Work session meetings encourage exploration of subjects in more detail than is possible in regular meetings because of the time constraints and the pressure of other business that occur in regular council session. These sessions must be open to the public.

Each of these types of meetings offers a way to achieve certain goals. A correct choice of meeting type will enable your city government to do its job effectively.
Chapter III

Proper Ways to Pass Ordinances and Resolutions

A city or town council can take official action in two ways: It can pass a resolution or an ordinance. Both actions play important roles in their own way and they share certain similarities. However, there are distinctions between the two and knowing the differences is important.

Resolutions

A resolution is an expression of the will of the council. Resolutions are used to state the council’s opinion on various matters—for example, supporting or opposing legislation pending at the State Capitol. Resolutions usually affect items of a temporary or administrative nature, such as entering into contracts, approving large purchases or entering into agreements with other governmental units. A resolution is the official expression of the council and may be adopted by the council at one reading, as long as it is not general or permanent in nature. A.C.A. § 14-55-202.

Ordinances

An ordinance is a local law that usually regulates persons or property and usually relates to a matter of a general or permanent nature. An ordinance is more formal and authoritative than a resolution. Therefore, we recommend your city attorney approve the structure and content of all proposed city ordinances. An ordinance should not conflict with federal or state law. It should also be in harmony with applicable court decisions. There are seven rules to remember about passing an ordinance.

1. Ordinances must be reasonable.
2. They must not be oppressive.
3. They must not be discriminating or partial.
4. They must not unduly restrain lawful trade.
5. They must not violate civil rights.
6. They must not be ambiguous.
7. An ordinance must contain only one general subject, clearly stated in its title. A.C.A. § 14-55-201.

The passage of an ordinance typically involves three (3) steps. The first step is the introduction of the proposed ordinance at a council meeting. The second step is to allow for the city clerk’s, recorder’s or attorney’s reading of the ordinance; this is followed by allowing the person(s) proposing the ordinance the opportunity to explain its provisions. Third, the council debates the ordinance and either defeats, postpones, refers it to a committee for study or approves it. If approved by a majority vote of the council, it is then signed by the mayor and attested to by the city clerk. A.C.A. § 14-55-201 et seq.

Remember that all ordinances of a general or permanent nature must be read fully and distinctly on three different days, unless two-thirds of the members of the council shall suspend the rule. A.C.A. § 14-55-202. However, “[i]n a city with a population of less than fifteen thousand (15,000) persons in the most recent federal decennial census, if the ordinance under consideration has been submitted to and approved by the electors of the municipality and is being amended, repealed, or otherwise altered by the municipal council, then the ordinance shall be fully and distinctly read on three (3) different days not less than twenty-eight (28) days apart.” A.C.A. § 14-55-202.

If an ordinance is passed with a valid emergency clause, it will take effect immediately. Please note, however, that an emergency clause requires a separate and distinct vote of the council and requires a two-thirds vote of approval by the council. The mayor may not vote on the emergency clause. Ark. Const. art. 5 § 1.

Without the adoption of the emergency clause, municipal ordinances generally become effective 30 to 90 days after their passage, depending on the city ordinance establishing the deadline to file a referendum.
on an ordinance. A.C.A. § 14-55-203. All ordinances of a general or permanent nature and all those imposing any fine, penalty or forfeiture must be published in a newspaper of general circulation in those municipalities where a newspaper is published. However, the law provides that in municipalities where no newspaper is published, written or printed notice posted in five (5) of the most public places (designated by ordinance or minutes) shall be sufficient publication of any law or ordinance. A.C.A. § 14-55-206.

Additional and more detailed information about resolutions and ordinances may be obtained from the Handbook, Title 14, Chapter 55, Subchapters 1-7.

Chapter IV

Personnel

Personnel issues continue to have a growing significance in municipal government. Newly-elected officials would be wise to go slow in their direct involvement into personnel matters. Human resource law affecting municipal government is heavily litigated and rapidly changing. Many lawsuits defended by the Municipal Legal Defense Program involve the discipline or discharge of city employees. The advice of your city attorney and human resources professional should always be solicited when dealing with personnel matters. (See the most recent editions of the League’s Sample Personnel Handbook for Arkansas Cities and Towns and Understanding Municipal Personnel Law and Suggestions for Avoiding Lawsuits.)

Personnel Administration

Many Arkansas cities have neither a large-enough workforce nor the financial resources to justify having a full-time personnel director. The common procedure is to assign personnel operations to one person, such as the mayor, city recorder or city clerk. Nevertheless, this manual recommends that your city employ an individual or train a current employee to be thoroughly familiar with all aspects of personnel administration.

Regardless of the organizational structure a city uses, two (2) common-sense principles apply:

1. The city council must decide the scope of personnel activities that will be conducted as part of the city’s ongoing operations. Then all personnel-related tasks must be assigned to specific persons within the city organization.

2. All of the city’s personnel policies and procedures should be clearly spelled out in writing in easily understood language and distributed or made readily available to all employees.

Establishing Personnel Policies

All policy matters are decided by the city council, which enacts ordinances setting up the personnel system and establishing recruitment standards, pay scales, conditions of employment, and other items. The council also approves the rules by which personnel ordinances are implemented and the procedures for handling administrative matters. Additionally, the council’s budgetary powers give it continuing control over the number of employees and the general scope of their duties.

The city’s personnel policies and practices must conform to federal and state laws. These policies and procedures must be practicable, which means they need to be carefully considered prior to their adoption. Any policy or procedure that fails to accomplish its intended purpose in a simple, direct fashion will multiply, rather than reduce, the city’s operating problems.

Assistance in drafting the city’s personnel policies and procedural rules should be obtained from an attorney or other specialist skilled in employee relations and from the person to whom the council has assigned the responsibility for implementing the policies.
Upon completion of the drafting process, the proposed policies and rules are presented to the city council for consideration, possible amendments, and final approval. Upon enactment, the policies and rules become binding on both the city and its employees.

The Employee Handbook
All personnel-related ordinances and regulations should be compiled into a single document, an employee handbook, for distribution to members of the city council and the entire municipal workforce. Each employee should be required to sign a form acknowledging that he or she received the handbook. City employees should follow the handbook and the city council-approved rules and regulations of their individual departments. Administrative rules need not be made a part of the handbook.

In addition to a personnel policy handbook, all municipalities should have written job descriptions for all employees. A written description is evidence of the essential functions and responsibilities of each job. Job descriptions should be reviewed and updated periodically to ensure that all duties and responsibilities of the position are reflected in the job description. (For assistance in drafting an employee handbook see Model Personnel File Folder, Sample Personnel Handbook for Arkansas Cities and Towns and Understanding Municipal Personnel Law and Suggestions for Avoiding Lawsuits.)

Unions or Professional Associations
Upon receipt of a written request and signed by a full-time municipal employee who is represented by a union or professional association, the municipality shall withhold membership dues of the union or professional association from the salary of the employee. The municipality shall transmit all dues that are withheld under this section to the union or professional association representing the employee within five (5) days of the end of the pay period. This withholding shall be discontinued only upon receipt of a written notice of cancellation signed by the employee. A.C.A. § 14-58-103.
Chapter V

Budgeting and Finances

The professional management of city finances demands high standards of personal responsibility. As a newly-elected city official it is extremely important that you understand the basics of city finance. One noted political analyst suggests two criteria that constituents traditionally use to evaluate the effectiveness of their local government. What does it provide for them and what does it cost? The document that should answer these questions is your annual budget.

City Budgets

Your city’s annual operating budget should be the principal policy management tool for governing. It should be the mechanism to:

1. Evaluate city services.
2. Measure and compare needs.
3. Set priorities and balance community public service demands against the tax revenues required to furnish them. Therefore, it is important that governing officials participate in the policies and decisions that go into building your municipal budget.

Arkansas Law and Budgeting

- Every city and town must have an annual operating budget approved by its governing body. A.C.A. §14-58-201 through § 14-58-203.
- The mayor must submit a proposed budget to the governing body of the city or town by December 1 of each year. The council shall enact a budget by February 1 each year. The governing body should also enact a temporary budget or spending resolution for January, as all expenditures of city funds must be authorized by an appropriation of funds approved by a majority vote of the council. The budget constitutes such an appropriation.
- The fiscal year of each city and town shall begin January 1 and end at midnight, December 31 of each year. A.C.A. § 14-71-102.
- Deficit spending is generally prohibited. Cities are not allowed to spend more money than they accrue during a year (Ark. Const. Art. 12 Sec. 4). Exceptions to this rule are made for capital improvement and revenue bonds (Ark. Const. amend. 62 and 65); energy efficiency bonds (Ark. Const. amend 89) and for short term (up to five years) financing for certain purchases. Ark. Const. amend. 78 sec. 2.
- All cities and towns must have the financial affairs of the city or town audited annually by a certified public accountant or by the division of the Legislative Audit of the State of Arkansas. A.C.A. § 14-58-101.

Major Revenue Sources Available

Revenue sources may differ from city to city. However, listed below are the major revenue sources available to Arkansas cities:

- **City and County Local Sales Taxes**—Cities and towns share on a population basis most countywide sales taxes for operating purposes. City voters may authorize city sales taxes and county voters may authorize county sales taxes.
- **Ad Valorem General Fund Property Tax**—set by the governing body, may not exceed five (5) mills. Ark. Const. art. 12, § 4; A.C.A. § 26-25-102. Cities share one-half of the three (3) mills of county road tax collected on property within the city. A.C.A. § 26-79-104.
- **General/Street Fund Turnbacks**—this is appropriated from the State Municipal Aid Fund and distributed to cities based on population according to the most recent decennial census.
• **Administration of Justice Funds**—a cost of living adjustment based on the lesser of the average percentage increase in the Consumer Price Index for All Urban Consumers for the two years immediately preceding or the percentage rate of increase in collections of the State Administration of Justice Fund for the two preceding years is applied to district court generated administration of justice funds. A.C.A. §§ 16-10-307 and 308.

• **Franchise Taxes**—Public utility retailers pay a franchise tax to cities for use of public rights of way and streets for the delivery of their services. A.C.A. § 14-200-101.

• **Solid Waste/Sanitation Fees**—Cities may charge a fee for the pick up and disposal of residential, commercial and industrial solid waste. A.C.A. § 8-6-211.

• **Fines and Forfeitures**—Municipal ordinances may be enforced by the imposition of fines, forfeitures and penalties on violators of city ordinances. A.C.A. §§ 14-55-501 through 504.

• **Permit and Inspection Fees**—Cities have the authority to require building permits and safety inspections and to charge accordingly.

• **Parks Department Revenue**—The city may charge fees for participants of city recreation programs and for concession revenues at the city pool, parks, and community center.

• **Occupational Taxes/Privilege License**—The city may charge and collect revenue for the privilege of doing business or carrying on any trade profession or vocation within the city limits, unless the business has a license from another city in the state and does not maintain a place of business in more than one city. A.C.A. § 26-77-102.

**Note:** Fees must be reasonably related to the city or town's cost of providing the service.

### Other Income (Miscellaneous Revenues)

- Outside fire protection fees
- Sale of equipment or real property
- Animal licenses
- Hotel and motel/Hamburger taxes
- Vehicle licenses
- Interest earned from special accounts

### Purchasing and Bidding

In all first-class cities with the mayor/council form of government, the mayor or duly authorized representative has the exclusive power and responsibility to make purchases of all city supplies, equipment and materials necessary to conduct the business of the city. The mayor has the authority to enter into contracts for work or labor on behalf of the city. However, all such expenditures must be authorized by the budget or an appropriation of funds passed by a majority of the council. A.C.A. §§ 14-55-204; 14-58-203. In addition, the mayor of a first class city must not expend funds in excess of the amount established by the council pursuant to A.C.A. § 14-58-305, in the absence of council approval.

- The governing body shall set out the procedure for all purchases that do not exceed $20,000. This can be done by bid or reverse Internet auction. The details for these purchase procedures should be described in each city's purchasing ordinance. A.C.A. § 14-58-303.

- When a purchase exceeds $20,000 the mayor of a first class city or duly authorized representative should advertise in the local newspaper for competitive bids.

- Bids must be opened on the date and at the exact time and place described in the bid notice published in the newspaper.

- The mayor or duly authorized representative has the exclusive power to award the bid to the lowest responsible bidder.
• In emergency situations where the bidding procedure may not be feasible or practical the governing body by ordinance may waive the requirements of competitive bidding. A.C.A. § 14-58-303.
• Bids may be taken in writing or through electronic media. A.C.A. § 14-58-303.

Awarding bids can be controversial. The bidding process is usually highly competitive. Pressure can be exerted on all municipal officials. One of the best ways to avoid controversy is to carefully prepare bid specifications.

Careful bid specification will also increase your chances of getting what you want and within your budget. If you need specific options, accessories or particulars, state them clearly in the bid specification. Under no circumstances should the bids be opened prior to -- or reviewed or discussed until after -- the official bid opening. If provided in the specifications, the city may reject any and all bids.

Cities of the second class and incorporated towns have no requirement for bidding for these kinds of purchases, although a city could pass an ordinance to require it.

Here is an exception to the rule: Cities of the first class, second class and incorporated towns must take bids for any public improvements, which include the major repair or alteration or the erection of buildings or other structures or other permanent improvements, exceeding $35,000 in costs. The law is found at A.C.A. § 22-9-203, which also contains the procedure for taking bids for contracts for public improvements that exceed $35,000. In order to receive electric media bids under § 22-9-203 a municipality must follow the newly enacted procedure contained in Act 1075 of 2019, which include posting notice online and in the local paper simultaneously.

Please note that A.C.A. § 22-9-203, unlike section 14-58-303, does not contain a provision for the waiving of bids.

Professional Services
Competitive bids are not allowed when cities seek certain professional services. Professional services are defined as contracts for legal, financial advisory, architectural, engineering services, construction management, and land surveying. A.C.A. § 19-11-802. Cities that need professional services should advertise for RFPs (Request for Proposals) or RFQs (Request for Qualifications). The RFP/RFQ should be evaluated considering the qualifications and reputation of each professional firm. Many cities will ask a professional service representative to make an oral presentation to the entire city council prior to its making a selection.

Next, the city selects three qualified firms and then selects the most qualified. A.C.A. § 19-11-804. Once a qualified professional firm has been selected, the city may then negotiate a contract for the desired professional service. If a mutually-agreeable contract cannot be negotiated with the first, most qualified firm, then the city may attempt to negotiate an agreement with the second and then the third firms on the list. A.C.A. § 19-11-805.
Chapter VI

The Freedom of Information Act

The Arkansas Freedom of Information Act (FOIA) (A.C.A. §§ 25-19-101 – 25-19-107), is a law with which all municipal officials should become familiar. Municipal officials who negligently violate the FOI Act may be found guilty of Class C misdemeanor. In addition, citizens may sue for violations of the Act and, if successful, recover their attorneys’ fees.

The primary categories of attention for municipal officials should be:
- Public Records
- Open Meetings
- Executive Sessions

Public Records

“Public Records” are documents that are actually kept or are required by law to be kept and maintained and which record the performance, or lack thereof, of official functions. A.C.A. § 25-19-103. These include the minutes from city council, planning and zoning, civil service, water and sewer, parks and recreation and any other meetings of a committee or commission established by ordinance or appointed by the mayor or city council. In addition, any public record, unless exempted by law, is subject to FOIA. Any citizen of the State of Arkansas may “inspect, copy, or receive copies of public records.” A.C.A. § 25-19-105. Citizens do not have to state a reason or purpose in order to inspect city records.

However, a request to inspect the records should be directed to the “custodian of the records” (usually the city clerk or recorder, though this will depend on the type of record requested). The request does not have to be in writing. However, it is a wise practice to ask (but not require) that anyone requesting to see or copy city records make the request in writing. This will help protect the city and its officials in case a dispute arises over what was requested. If copies of public records are requested and if it is the policy of the city to charge a fee for copies, then the city may charge the actual costs of reproduction, but may not charge for the time of existing employees.

Open Meetings

All meetings of municipal governing bodies are required to be open to the public. A.C.A. § 25-19-106. Because meetings “shall be public,” any person may attend. A quorum of the governing body need not be present for the meeting to be subject to FOIA. For regular city council or other regular city meetings (water and sewer, planning and zoning, parks and recreation and others), notice must be furnished to anyone who requests that information. For emergency or special called meetings, at least two hours’ notice must be provide to any news media which have requested to be notified of emergency or special meetings.
Executive Session
The only time the city council may meet and exclude the media and the public is in executive session. Executive sessions are permitted only for the purpose of considering employment, promotion, demotion, disciplinary action or resignation of any public officer or employee. In addition, an executive session is authorized for the discussion of public water system security measures in accordance with A.C.A. §§ 25-19-105(b)(18) and 25-19-106(c)(6).

Actions discussed in executive session become legal only after the city council (or other governing body) ratifies the action with a public vote in open session. Meetings for the purpose of executive session still must be announced publicly. For example, “We are going into executive session to discuss the discipline of an employee.” You do not have to state the employee’s name publicly, however.

Unless the city attorney is being considered for employment, appointment, promotion, demotion or disciplinary action, then he/she may not meet in executive session with the mayor and city council. Likewise the city clerk, city recorder, or town recorder should not be in executive session.

This has been a very brief discussion of a very complicated law. For further information, please refer to the Arkansas Freedom of Information Handbook available from the League at (501) 374-3484, or online at arkansasag.gov/media-center/foia/.

Chapter VII
Functions of the Arkansas Municipal League

Purpose
The Arkansas Municipal League, established in 1934, is an agency of the municipalities of Arkansas. The League has a voluntary membership and was created to assist cities with information, services, and representation in the public affairs of our state and nation.

Organization
The Executive Committee is the governing body of the Municipal League. It is composed of 30 members, six officers elected at the annual League convention and 24 additional members appointed by the president. Chosen by the Executive Committee, the executive director is responsible for administering the League’s policies and programs. He selects his staff, and together they work to provide Arkansas municipalities the best in League services.

League Activities
- Annual Conventions—Each year the League sponsors a convention and a conference for officials from across the state. These officials gather to discuss mutual problems, discover new techniques and learn of new developments in local government. Outstanding speakers address officials on subjects of municipal concern. Many legislative issues are discussed at the convention, and the Municipal Policy Statement for the forthcoming year is adopted at the annual business meeting. Of course, no successful convention is all work. The convention delegates and their spouses enjoy the special activities provided for them.
- Other League Meetings—As the need arises, the League conducts training meetings. These special meetings assist municipal officials with current issues affecting them.
League Services

- Ordinance and Code Services—The ordinance and code services have become an important function of the League. Officials can request sample ordinances relative to almost any subject of municipal concern. The League also provides codification of city ordinances. Codification arranges your city ordinances into a subject-matter format.

- Inquiry Service—All League staff members are available for assisting local officials with problems confronting their municipalities. Frequent questions concerning procedures for new officials and various League programs are answered by telephone, referrals, memorandums, and surveys. Officials seeking information may also visit League headquarters to consult directly with staff members. League staff members also attend council meetings throughout the state, on request, as time permits.

- Planning Services—Group seminars and individual consultation are available to League members on various municipal planning projects.

- Cable Television Franchise Management Service—This service offers a cable television franchise management through Local Government Services or LGS. The goals of the program are to ensure that local governments have access to the expertise required to negotiate for the benefits and services needed in our communities on reasonable terms and conditions.

- Grants Service—A grant locator service is provided for municipalities to simplify the process of locating and obtaining grants. The League has partnered with The Grant Book Company to provide this service for its members through Grant Search Central, the website for The Grant Book Company. Grant Search Central provides up-to-date information about the availability and requirements for literally hundreds of types of government and non-profit grants. The League has partnered with Legacy Consulting to provide members with assessment and evaluation services, the development of a community blueprint and assistance in grant procurement methods. Specific training in garnering needed funds for individual projects, as well as various tools monitoring and evaluating the grant process are available as well.

- IT Services—The League’s “IT in a Box” provides cities with state-of-the-art information technology tools supported by experienced, highly skilled IT professionals. From backing up data to modernizing your website, we know it’s tough for cities to invest in the right technology and hire the best professional expertise to guide them along. But those investments need to happen. Otherwise, your city operations are at risk. With IT in a Box, members receive a modern, user-friendly city website, data backup, and offsite storage to protect your information from a disaster; document protection and easy document retrieval for open records requests; a modern, business-grade email system; 24/7 helpdesk; vendor management; and full management of your servers, desktops, and mobile devices.

- Loss Control/Emergency Response Program—The Loss Control/Emergency Response Program provides members with individual loss control assistance and assistance in establishing an emergency preparedness plan. The Loss Control portion of the program offers safety inspections and on-site consultation for Workers’ Compensation, Vehicle program, and Property Program participants. In addition, the Loss Control program offers safety-training in various categories such as: personal protective equipment, trench safety, confined space safety, bloodborne pathogens, safety awareness, back safety, and lockout/tagout programs. These programs are taught on location in your municipality. The emergency response portion of the program provides cities with information on how to be prepared for emergencies such as bomb threats, cyber-terrorism, tornadoes, and chemical and biological threats. The League also offers a Loss Control Video Library to our members.

- Voluntary Certification Program for Municipal Officials—To increase municipal officials’ basic knowledge of local governance, the League has developed an annual curriculum of core courses and continuing education courses. The core courses, offered at League headquarters, cover municipal basics, such as budget preparation and personnel matters. Continuing education topics vary and are offered at the annual Convention and at the annual Winter Conference. City and town officials who
complete 21 hours of classes in a calendar year (15 hours of core courses and six hours of continuing education) achieve the designation of Certified Municipal Official. To maintain certification, officials must complete six hours of continuing education in subsequent calendar years. Municipal officials eligible for the Voluntary Certification Program include mayors, city managers, city administrators, city directors, councilmembers, city clerks, recorders, and treasurers. For those city officials who have completed the 21 hours of core curriculum, officials must annually obtain 6 hours of continuing education to maintain certification status.

Publications and other League Resources
To act as a clearinghouse of information for the cities and towns of Arkansas was one of the original guiding principles of the Arkansas Municipal League, and providing updated and timely information remains a vital part of the League’s member services. As such, the League maintains a library of publications covering an array of topics important to cities, from guidance on compliance with the Americans with Disabilities Act, to municipal accounting procedures, to an overview of Arkansas’s tort immunity statutes. Most of these publications are available for free in print and are also downloadable from the “Publications” page on League’s website, www.arml.org.

City & Town is the official magazine of the Arkansas Municipal League. It has a print readership of nearly 7,000 and is published 12 times a year. It contains features, columns, and other articles of interest to municipal officials. It is also available to read online at www.arml.org/services/publications/city-town.

During each session of the Arkansas General Assembly, members of the League staff analyze the proposed measures that affect the state’s municipalities. The Legislative Bulletin at www.arml.org is updated daily during sessions and enables city and town leaders to advise their representatives at the state capitol of the local impact of various proposals.

The Handbook for Arkansas Municipal Officials is updated and published every other year after the regular session of the General Assembly. It includes laws that affect Arkansas municipalities and has become an important source of information on which city and town officials depend for guidance.

The Directory of Municipal Officials is another important resource published by the League. It contains a list of League member cities, their officials, city addresses, telephone and fax numbers, emails, and websites. City classification and the county in which the city is located are also included. The League now offers the Directory of Municipal Officials as a searchable PDF. Both the print version and the PDF are available at www.arml.org/store.
Group Benefits Programs
The Arkansas Municipal League provides the officials and employees of Arkansas cities and towns with group programs such as the Municipal Health Benefit Fund and the Municipal Officials Accidental Death and Dismemberment Plan. The Municipal Vehicle Program provides low-cost vehicle coverage to member cities and towns.

The Municipal League Workers’ Compensation Trust protects municipal workers in more than 480 cities and towns. The League’s Volunteer Firefighter Accident Income Protection Plan is a popular League Program available to cities and towns participating in the Workers’ Compensation Trust. The Municipal Property Program was established in 1985.

The Municipal Legal Defense Program is another service for League members. A steering committee governs the plan with the executive director and his staff administering the program. Participating municipalities contribute annually amounts based primarily on their population. Through this program, municipalities, municipal officials, and employees are provided protection against lawsuits involving their assets. Cities and towns in this program can also participate in the League’s drug testing programs. Cities and towns in the Legal Defense Program may request written and oral legal opinions on municipal law.

The Municipal League Cash/Pension Management Trust is an optional program whereby Arkansas municipalities can place excess cash funds or pension investments in a safe and competitive account that provides excellent liquidity. Participant municipalities join together to invest moneys not currently needed to enhance their investment opportunities and increase investment earnings. In most cases invested funds will be available for withdrawal within 24 hours.

Conclusion
The Arkansas Municipal League serves member cities and towns and addresses their current and future needs. The League has been and will continue to be at the forefront of municipal progress and problem solving as long as Arkansas’s municipal officials remain active and maintain it as a viable organization. When the League staff can be of service, please call.
INTRODUCTION

This booklet was compiled by the working group listed below that was organized by the Arkansas Municipal League. Our goal was to provide an accounting guide to assist local government employees in performing their financial and other related duties. It was specifically written for non-accountants in non-technical language.

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Concerning the June 2019 Legislative Update:
The Arkansas Municipal League staff has updated this publication to reflect changes in Arkansas law resulting from the 2019 legislative session of the Arkansas General Assembly. No other material has been updated at this time, so users of this publication should verify the current status of any such information. A future update will be forthcoming. The names and positions of the working group members listed above are as they appeared in the August 2013 edition of this handbook.
Table of Contents

INTRODUCTION. ................................................................. 1

ACCOUNTING SYSTEM AND BASICS ...................................... 5
  Accounting System .......................................................... 5
  Accounting Basics ........................................................... 5
  Assets = Liabilities + Fund Balance ....................................... 5
  Arkansas Municipal Accounting Law and
  Arkansas Municipal Water & Sewer Accounting Law ................. 7
  Arkansas Self-Insured Fidelity Bond Program ......................... 7

ACCOUNTING AND BUDGETING ............................................ 9
  Fund Accounting ............................................................... 9
    HOW MANY FUNDS SHOULD A GOVERNMENT HAVE? .................. 9
    WHAT ARE FUND TYPES AND CLASSIFICATIONS? ..................... 9
    WHICH FUNDS WILL I HAVE TO USE? ................................ 9
    DESCRIBE THE GENERAL FUND ....................................... 9
    WHEN WILL I USE SPECIAL REVENUE FUNDS? ....................... 10
    WHEN WILL I USE AGENCY FUNDS? ................................ 10
    WHEN WILL I USE PROPRIETARY FUNDS? ........................... 10
  Cash And Bank Accounts ................................................. 10
    PETTY CASH ................................................................... 10
    BANK RECONCILIATIONS .............................................. 11
  Chart Of Accounts ............................................................ 11
  City Budgets ................................................................. 11
    ARKANSAS LAW AND BUDGETING .................................. 11
  Purchasing ................................................................. 12
  Accounting For Grants ...................................................... 12

GENERAL PAYROLL AND TAX REPORTING INFORMATION .............. 15
  Payroll Taxes ................................................................. 15
    Social Security Tax (FICA) .............................................. 15
    Federal Withholding ...................................................... 16
    State Withholding ...................................................... 16
    Federal Unemployment Tax ............................................ 16
    State Unemployment Tax .............................................. 16
  Other Payroll Deductions ................................................ 17
  Related Information .......................................................... 18
  Common Payroll Errors To Avoid ....................................... 19
  Payroll – In House Or Outsource? ..................................... 19

FINANCIAL RECORD KEEPING .............................................. 21
  General Requirements ...................................................... 21
  Trust And Agency Funds .................................................. 21
    Pension Trust Funds ...................................................... 21
    Agency Funds ............................................................. 21
  Record Retention ............................................................ 22
    Accounting Records ..................................................... 22
  Common Record Keeping Errors To Avoid ............................ 23
  Additional Requirements Related To Financial Activity .......... 23
FIXED ASSET RECORD KEEPING.........................................................25
UNCLAIMED PROPERTY..............................................................27
OTHER FINANCE RELATED TOPICS.............................................29
   Bond Issues .................................................................29
   Investments.................................................................30
      Investment Authority.......................................................30
   Bank Deposit Collateralization...........................................31
   Internet Security ...........................................................31
GLOSSARY OF TERMS ................................................................33
RESOURCE LIST ........................................................................37
   Publications: .......................................................................37
A SAMPLE MUNICIPAL CALENDAR OF EVENTS ....................38
   Appendix A Sample Cash Receipts and Disbursements Journals........................................41
   Appendix B Sample Chart of Accounts ..................................42
      EXAMPLE MUNICIPAL FUND CODES .........................42
      MUNICIPAL DEPARTMENT CLASSIFICATIONS ............43
      EXAMPLE CHART OF ACCOUNTS .................................44
      EXPENDITURES ..............................................................44
      OTHER FINANCING SOURCES (USES) .........................44
      EXAMPLE MUNICIPAL EXPENDITURE CODES CHART .45
   Appendix C Sample Fixed Asset Listing..................................48
   Appendix D Sample Due Diligence Letter on Outstanding Checks ......................................49
   Appendix E Sample Annual Revenue Bond Report.................................50
   Securing Bank Deposits ........................................................51
      Some background ............................................................51
   Appendix F ........................................................................51
      A look at FIRREA ............................................................52
      Now we consider state law ...............................................53
BEST PRACTICE.........................................................................55
ACCOUNTING SYSTEM AND BASICS

ACCOUNTING SYSTEM

Before you can set up or understand your accounting records, dive into your day to day transactions, and get your books ready for end-of-month or end-of-year reporting you must gain an understanding of basic accounting concepts.

Accounting is the method in which financial information is gathered, processed, and summarized into financial statements and reports. An accounting system is represented by the following graphic, which is explained below.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Transactions (source)</td>
<td>Journal Entry</td>
<td>General Ledger</td>
<td>Trial Balance</td>
<td>Fund Statements (Financial Statements)</td>
</tr>
</tbody>
</table>

Every accounting entry is based on a business transaction, which is always evidenced by a business document, such as a check or invoice or travel form.

1. A journal is a place to record the transactions of a municipality. The typical journals used to record the chronological, day-to-day transactions such as revenue and expenditures are cash receipts journals and cash disbursements journals.

2. While a journal records transactions as they happen, a ledger groups transactions according to their type, based on the accounts they affect. A general ledger is a collection of all balance sheet, revenue and expense accounts used to keep municipal accounting records. At the end of an accounting period (a calendar month), all journal entries are summarized and transferred to the general ledger accounts. This procedure is called “posting.”

3. A trial balance is prepared at the end of an accounting period by adding up all the account balances in your general ledger. The sum of the debit balances should equal the sum of your credit balances. If total debits do not equal total credits you must track down the errors.

4. Finally, financial statements (fund statements consisting of balance sheets and income statements) are prepared from the information in your trial balance.

Basic accounting records are required by Arkansas law and are important because the resulting financial statements and reports assist you, your mayor, and city council in planning and making sound financial decisions.

ACCOUNTING BASICS

Assets = Liabilities + Fund Balance

If you understand the definition and goals of an accounting system, you are ready to learn the following accounting concepts and definitions.

**Assets:** Items of value held by the municipality. Assets are balance sheet accounts. Examples of assets are cash, investments, fixed assets, etc.

**Liabilities:** What your municipality owes to creditors. Liabilities are balance sheet accounts. Examples are payroll taxes payable, loans and bonds payable, money due to other governmental agencies etc.
Fund Balances: The net worth of each of your funds. An accumulation of revenues received less expenses incurred. Assets, liabilities and fund balances are permanent accounts. (Do not close at the end of accounting period.) Fund Balances are reported in the following classifications:

- **Nonspendable**: Fund balances that are either not in spendable form or legally or contractually required to be maintained intact.

- **Restricted**: Fund balances which have constraints on the use of resources that are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law.

- **Committed**: Fund balances that can only be used for specific purposes pursuant to constraints imposed by ordinances.

- **Assigned**: Fund balances that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative fund balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable, restricted, nor committed, and amounts in the general fund that are intended to be used for a specific purpose. Cities should not report an assigned fund balance if the assignment would result in a negative unassigned fund balance.

- **Unassigned**: Unassigned fund balance is the residual classification of the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The accounting equation: Assets = Liabilities + Fund Balance. Note that assets are on the left-hand side of the equation, and liabilities and fund balances are on the right-hand side of the equation.

Once you master the above accounting terms and concepts, you are ready to learn about the following day-to-day accounting terms.

**Debits**: At least one component of every accounting transaction (journal entry) is a debit amount. Debits increase assets and decrease liabilities and fund balance.

**Credits**: At least one component of every accounting transaction (journal entry) is a credit amount. Credits increase liabilities and fund balances and decrease assets.

(In bookkeeping texts, examples, and ledgers, you may see the words “Debit” and “Credit” abbreviated. **Dr.** stands for Debit; **Cr.** Stands for Credit.)

**Assets = Liabilities + Equity (Fund Balance) Revenues - Expenditures**

<table>
<thead>
<tr>
<th></th>
<th>(Increase =Debit)</th>
<th>(Decrease = Credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>(Increase = Credit)</td>
<td>(Decrease = Debit)</td>
</tr>
<tr>
<td>Fund</td>
<td>(Increase = Credit)</td>
<td>(Decrease = Debit)</td>
</tr>
<tr>
<td>Revenue</td>
<td>(Increase = Credit)</td>
<td>(Decrease = Debit)</td>
</tr>
<tr>
<td>Expenditures</td>
<td>(Increase = Debit)</td>
<td>(Decrease = Credit)</td>
</tr>
</tbody>
</table>
Arkansas Municipal Accounting Law and Arkansas Municipal Water & Sewer Accounting Law

Municipal Accounting is governed by state statutes known as Arkansas Municipal Accounting Law (A.C.A. §§ 14-59-101 through 118) and Arkansas Municipal Water & Sewer Accounting Law (A.C.A. §§ 14-237-101 through 113). These statutory provisions are found in the Handbook for Arkansas Municipal Officials which is published bi-annually after each regular session of the Arkansas General Assembly. The statutory provisions may also be found at www.lexisnexis.com/hottopics/arcde, or at the Arkansas General Assembly website, www.arkleg.state.ar.us. The Municipal Accounting Law should be referred to for specific guidance as to the type and information that the above records are required to contain in accordance with Arkansas law. A.C.A. §§ 14-237-101 through 14-237-113, referred to as the Municipal Water and Sewer Department Accounting Law, gives specific guidance relating to accounting records for water and sewer departments.

Here you will learn the requirements for:
- Bank Accounts and Bank Reconciliations
- Prenumbered Checks and Electronic Funds Transfers
- Disbursements of municipal funds
- Petty Cash
- Fixed Assets
- Prenumbered Receipts
- Cash Receipts and Disbursements Journals
- Maintenance and destruction of records
- Annual publication of financial statement
- Turnback withholding for noncompliance

Arkansas Self-Insured Fidelity Bond Program

All Arkansas municipalities participate in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of $300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a $2,500 deductible per occurrence. A certificate of coverage may be obtained by contacting the Risk Management Division at 501-371-2690 or via email: insurance.risk.management@arkansas.gov. Copies of the bond policy may be obtained at www.insurance.arkansas.gov/risk.htm or by contacting the Risk Management Division by phone at the number above. All Proof of Loss notices must be submitted to the Arkansas Governmental Bonding Board by the Division of Legislative Audit. Coverage is provided for funds audited in compliance with Section 4 of the Bond policy. Private audits (those not performed by Legislative Audit) must be completed within 18 months of each participating governmental entity's fiscal year end.
ACCOUNTING AND BUDGETING

FUND ACCOUNTING

A fund is an accounting entity with a set of self-balancing accounts. It is used to record financial information associated with the specific activities of that entity. Sounds simple enough. A bunch of account numbers or names that tell the financial story of an activity. Self-balancing means debits equal credits. Every time a financial transaction takes place at least one account is debited and one account is credited.

HOW MANY FUNDS SHOULD A GOVERNMENT HAVE?

There is no set number of funds that a government should have. The number depends on the complexity and size of a government. A practical accounting rule states that a government should use the smallest number of funds possible that will allow the government to meet legal and sound financial administration requirements. Arkansas statutes require a minimum of two funds and bank accounts: General Fund and Street Fund (see A.C.A. § 14-59-101 et al).

WHAT ARE FUND TYPES AND CLASSIFICATIONS?

Every general purpose (city, county, state, etc.) government should have a general fund. a general fund means one, and only one general fund. There are three types of funds that a government may use: governmental fund types, proprietary fund types, and fiduciary fund types. The chart below shows all of the fund types and fund classifications. Don't panic! The list is here just to let you know that these things exist. You will probably not have to use all of them.

<table>
<thead>
<tr>
<th>Fund Type:</th>
<th>Governmental</th>
<th>Proprietary</th>
<th>Fiduciary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Classifications:</td>
<td>General Fund</td>
<td>Enterprise Funds(2)</td>
<td>Pension Funds (3)</td>
</tr>
<tr>
<td></td>
<td>Special Revenue (1)</td>
<td>Internal Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt Service Capital</td>
<td></td>
<td>Investment Trust</td>
</tr>
<tr>
<td></td>
<td>Projects Permanent Funds</td>
<td></td>
<td>Private Purpose</td>
</tr>
<tr>
<td></td>
<td>Funds</td>
<td></td>
<td>Trust Agency Funds(4)</td>
</tr>
<tr>
<td>Examples:</td>
<td>General Fund</td>
<td>Water Fund (2)</td>
<td>Fire Pension (3)</td>
</tr>
<tr>
<td></td>
<td>Street Fund (1)</td>
<td>Sewer Fund (2)</td>
<td>Admin. of Justice (4)</td>
</tr>
</tbody>
</table>

WHICH FUNDS WILL I HAVE TO USE?

Most cities and towns in Arkansas will use two fund types and three fund classifications. The governmental funds are used to account for activities primarily supported by taxes, grants, and similar revenue resources. Under the governmental fund type, there is the general fund, capital projects fund, debt service fund, permanent fund e.g. municipal cemetery fund, and special revenue fund (e.g. street fund). The fiduciary funds are used to account for activities that cannot be used to support the government’s own programs. Under the fiduciary fund type, there is the agency fund (e.g. the Administration of Justice Fund) and the pension fund (e.g. the Police Pension and Relief Fund). The proprietary funds are used to account for activities supported from fees and charges (e.g. water fund or sewer fund).

DESCRIBE THE GENERAL FUND

The general fund is used to record all financial activities primarily supported by taxes, grants and similar revenue sources that are not required to be recorded elsewhere. It’s the potpourri of funds, the animal shelter for wayward financial transactions. Basically, the general fund is the main operating fund of the government.
**WHEN WILL I USE SPECIAL REVENUE FUNDS?**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted (legally or by an outside constraint) or committed (by ordinance) to expenditure for specified purposes other than debt service or capital projects. For instance, a portion of the state turnback revenues are legally restricted for street maintenance. You have to show that the monies you received for that purpose are spent for that purpose. A special revenue fund called street fund will enable you to show legal compliance with this legislation. The city receives a direct deposit from the State Treasurer's Office for turnback. The one labeled “Municipal Highway Aid Funds” will be deposited into the street fund and the other will be deposited into the general fund.

A point to remember is that a restriction for special revenue funds must be from outside agencies like creditors, grantors, contributors, or laws from the State of Arkansas or the federal government, and a commitment must be made by ordinance by the city council.

**WHEN WILL I USE AGENCY FUNDS?**

Agency Funds are used to account for situations where the government's role is strictly custodial in nature. A good example of an agency fund is the Administration of Justice Fund. State legislation requires that the city clerk deposit the court costs received from the District Court into a fund entitled “Administration of Justice Fund.” Basically, the city clerk deposits a check from the court and then writes checks to the state and county and other agencies that are entitled to the revenues. The Administration of Justice Fund is just a pass through fund that is required by state legislation to act as a custodian of the court costs. Usually, agency funds consist of assets and liabilities, with the asset being the checking account balance and the liabilities being payable to other agencies.

**WHEN WILL I USE PROPRIETARY FUNDS?**

Proprietary funds are used to account for activities where the government charges a fee for a service provided or is used to allocate shared costs. A good example is the water fund. If a government provides the water supply normally there is a fee charged for this service. You would record all revenue and expenses related to this water service in the water fund. Another good example is a motor pool, called an internal service fund, where all revenue and expenses related to the upkeep of all city vehicles is accounted for in this fund.

**CASH AND BANK ACCOUNTS**

Cash management internal controls represent an application of common sense and prudent conduct to the use and proper safeguarding of government assets. Cash is the most liquid asset a municipality has, which means it more easily stolen. It is important that safeguards are in place to protect your cash on hand. This requires that cash be locked in a safe at all times. Cash receipts should always be issued when receiving cash from patrons to establish a record of where the funds originated. The cash on hand should not be utilized to cash personal checks of employees or patrons. It is important for deposits to remain intact, which means money received for deposit should not be utilized to make change or reimburse employees for city expenditures, etc. Cash duties, such as receipting, disbursing, cashiering, reconciling and, collecting should be segregated as much as possible coupled with accountability and oversight from management. Cash should be counted daily and balanced with receipts before deposit. See Appendix A for Cash Receipt and Disbursements Journal Template.

**PETTY CASH**

Municipalities are permitted to have petty cash funds as long as the establishment of fund is approved by the city council. When establishing this fund a check from the general fund should be made payable to “petty cash.” This fund can be utilized for the handling of small expenditures, such as, postage, light bulbs, delivery fees, etc. A paid out slip should be prepared for each expenditure from this fund and signed by the person receiving the money. When replenishing this fund the check should be made payable to “petty cash.” The amount to replenish this fund should be the total of all of the paid out slips. This fund should not be used to cash employee's personal checks, buy lunch for employees or make personal purchases.
BANK RECONCILIATIONS

All municipalities should reconcile all bank accounts on a monthly basis. This requires that all cash receipts and cash disbursements be balanced to the amount on deposit at the banks. See A.C.A. § 14-59-108 for the form that should be used when reconciling bank statements.

CHART OF ACCOUNTS

The chart of accounts is a listing of all of the accounts used in keeping your books. It should be a comprehensive listing of all the accounts you will need organized by type, e.g. asset, liability, fund balance, revenue, and expense. These accounts will be the basis for most of your financial records and reports including the general ledger and financial statements.

The sample chart of accounts assumes that your books are kept on the cash basis meaning that you record revenues when cash is received and expenditures when paid. If you use an accrual or modified accrual basis of accounting you will need to add certain asset and liability accounts such as accounts receivable, prepaid expenses, and accounts payable. The accrual basis means that you recognize revenues when earned instead of when received and expenditures when liabilities are incurred instead of when paid.

Most Arkansas municipalities will use the cash basis. A sample chart of accounts can be used for each fund although some of the funds will not need all of the accounts. See Appendix B for Sample Chart of Accounts Template.

CITY BUDGETS

Your city’s annual operating budget should be the principal policy management tool for governing. It should be the mechanism to:

1. Evaluate city services.
2. Measure and compare needs.
3. Set priorities and balance community public service demands against the tax revenues required to furnish them. Therefore, it is important that governing officials participate in the policies and decisions that go into building your municipal budget.

ARKANSAS LAW AND BUDGETING

Every city and town must have an annual operating budget approved by its governing body (A.C.A. §§ 14-58-201 through 203). Before December 1 of each year, mayors of all cities and incorporated town with a mayor-council form of government must submit to the governing body of those cities a proposed budget. This will enable the council to study the document, make any proposed changes and get the budget adopted before February 1.

The fiscal year of each city and town shall begin January 1 and end at midnight, December 31 of each year (A.C.A. § 14-71-102). It is mandatory for the governing body of the municipality to adopt a budget for the operation of the city on or before February 1 of each year. See A.C.A. § 14-58-202.

Deficit spending is prohibited. Cities are not allowed to spend more money than they accrue during a year (Ark. Const. Art. 12 Sec. 4). Exceptions to this rule are made for capital improvement, revenue, and energy efficiency bonds (Ark. Const. Amend. 62, 65 and 89) and for short term (up to five years) financing (Ark. Const. Amend. 78 sec.2).

Under A.C.A. §14-58-203, the governing body of the city, from time to time, may alter or revise the budget to better suit city governmental needs. There are two exceptions: Taxes that are levied for specific purposes may not be diverted for other purposes and creditors may not be prejudiced by the diversion of funds.

The budget may be adopted by an ordinance or resolution of the city council. See A.C.A. § 14-58-201. The Arkansas Municipal League recommends using a resolution for ease of adoption and amendment.

All cities and town must have the financial affairs of the city or town audited annually by a certified public accountant or by the Division of the Legislative Audit of the State of Arkansas (A.C.A. § 14-58-101).
**Purchasing**

It is highly recommended that your city formally draft and adopt a purchasing policy by ordinance. It is recommended that this policy address monetary limits by spending levels. This document needs to address emergency spending of city funds, annual supply contracts, on-line sales, cooperative purchasing agreements, protest procedures, disadvantaged and minority owned business enterprises, change orders on construction contracts, and standards of conduct at a minimum.

The following wording regarding State and Federal Regulations is advised to be in the ordinance as well: "State or Federal Regulations. To the extent that state or federal regulations applicable to a particular purchase (e.g., grants projects) are more restrictive than the procedures set forth in this ordinance, the state or federal regulations shall apply."

The state statutes address standards of conduct and conflicts of interest in A.C.A. §§ 14-47-115, 14-47-137 and 14-42-107.

The state statutes address the procurement of several different types of commodities and services. One item specifically addressed is the use of subcontractors on items exceeding $50,000 regarding mechanical, indicative of heating, air conditioning, ventilation, and refrigeration, plumbing, electrical, and roofing. Before entering into contracts on these items please read section A.C.A. § 22-9-204. Note also that an exception is made for projects designed to meet the city's need for utilities (A.C.A. § 22-9-201).

A.C.A. § 19-11-801 et seq. Establishes the policy of the state of Arkansas and the political subdivisions that contracts for certain professional services (including legal, architectural, engineering, construction management, land surveying, auditing/accounting, and consulting) be negotiated on the basis of demonstrated competence and qualifications, at a fair and reasonable price, and prohibits the use of competitive bidding for the procurement of such professional services. The act specifies a procedure whereby the political subdivision (city) receives statements of qualifications once a year or as deemed necessary. At such time thereafter that a specific project may arise, the city shall evaluate the statements of qualifications on file and select a firm.


W-9—Request for Taxpayer Identification Number and Certification - This form is used to get the correct TIN (taxpayer identification number) to report, for example, real estate transactions, transactions with vendors, etc.

1099—Form used to report income of vendors that are not incorporated, whom you have paid over $600 and must be sent out by January 31. Reports must be filed with the IRS with a recap form 1096. (These forms should be ordered in October or November.)

**Accounting For Grants**

Money may be obtained for your city via grants. It is important for the finance department, finance director/treasurer, and city accountant to be involved in the grant process from the beginning. Agreeing to certain grant stipulations may obligate your city in several financial ways that may not be apparent. It is important to consider the “cost” of adhering to these regulations before you agree to accept the grant. If the grant requires a separate bank account you need to consider the cost of this additional bank account and whether or not this “administrative” cost can be paid for by the grant. Many times this is not the case.

If your city expends more than $500,000 of grant funds in one fiscal year it will need to have an Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) audit conducted. The state does not conduct 133 audits and this too can be an additional cost to the city that won't be covered by the grant.
Additionally, many grants require monthly, quarterly and/or annual reporting in state or federal databases. These reports will need to be maintained for the auditors and can be difficult and time consuming to complete.

Many grants also allow for sub recipients. If you become a sub recipient make sure you understand your requirements to the primary grant beneficiary. If you are allowed to have sub recipients make sure you outline and have your sub recipients sign your requirements before the grant begins.

All Federal Grants have a CFDA (Catalog of Federal Domestic Assistance) number that you will have to list on your Schedule of Federal Awards if you are audited. Additionally if audited your city will need to do a SF-SAC Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

The Clearinghouse maintains a site on the Internet at harvester.census.gov/fac/. For Data Collection Form (SF-SAC) and OMB Circular A-133 submission questions, contact the Federal Audit Clearinghouse by email at govs.fac@census.gov, phone 301-763-1551 or toll free at 800-253-0696, or fax 301-457-1592. For questions regarding previous submissions, contact the Federal Audit Clearinghouse Processing Unit at 888-222-9907. The Form SF-SAC and A-133 submission should be mailed to Federal Audit Clearinghouse, 1201 E. 10th Street, Jeffersonville, IN 47132.

If certain particular grants are obtained through FTA or HUD you will need to have a cost allocation plan formalized and approved by the Cognizant Agency (see Glossary of Terms).

Sometimes the Department of Labor’s (DOL) Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors working on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC §§ 3141-3144, 3146, and 3147 (formerly 40 USC §§ 276a to 276a-7)). Please also look up the Buy America Act, which may apply to federal funds. If federal funds result in the earning of money (through interest or other avenues) it may trigger program income status and these funds have to either be returned to the federal government or be subject to certain spending guidelines themselves.

Additionally, title to equipment acquired by a non-federal entity with federal awards vests with the non-federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of $5000 or more per unit. However, consistent with a non-Federal entity’s policy, lower limits may be established.

Matching or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

Lastly, most grants have time limits on how long you can take to spend the money and complete any and all required paperwork for closing out the grant. Make sure you have documented and set up reminders for these deadlines.

Be sure to assign separate grant revenue and expense lines to journalize grant-related transactions.
GENERAL PAYROLL AND TAX REPORTING INFORMATION

PAYROLL TAXES

Payroll involves numerous types of taxes and deductions, all with specific rules and deadlines. Both taxes and deductions can be fully paid by the employee, fully paid by the employer, or both parties pay a part of it.

The most common taxes are:
- Social Security Tax (FICA)
- Federal Withholding
- State Withholding
- Federal Unemployment
- State Unemployment

Social Security Tax (FICA)

This includes Social Security and Medicare Tax. A portion is deducted from the employee and the employer also pays a portion. Currently, Social Security is 12.4% with \( \frac{1}{2} \) (6.2%) paid by each. Medicare is 2.9% with \( \frac{1}{2} \) (1.45%) paid by each.

Social Security has a wage base limit but Medicare does not; therefore when the employee's gross taxable salary reaches the base limit, no more Social Security tax is deducted. Medicare is calculated on 100% of taxable salary. The wage base limit changes every year so it is recommended this is verified annually.

Payment Due: Payment is made monthly or with each payroll, depending on the size of the annual payroll. The payment method is determined by the IRS and is subject to change. It is recommended this tax is paid within three working days of the payroll date to ensure compliance and to eliminate fees for non-payment or late payments. IRS fees can be very hefty.

Payment Method: It is recommended an account be set up with Electronic Federal Tax Payment System (www.EFTPS.gov/) to make the payment online, or set up payment arrangements by telephone. In most instances, the IRS requires this and this method allows for review of payments made.


Valuable Source: www.irs.gov

Publication: Circular E and Publication 963 Federal/State Reference Guide

Note: Some employees such as elected officials, firemen, or policemen may not have social security and/or Medicare deducted. Please refer to your specific ordinances for clarification. A “218 Agreement” should be filed with the IRS.

For information, call Ardary Taylor, Social Security Division of Arkansas, Public Employees Retirement System, at 1-800-682-7377.
Federal Withholding

Federal Withholding is only paid by the employee. The amount withheld is the amount remitted to the IRS. This tax is remitted with the Social Security Tax. Please refer to the above instructions.

State Withholding

State withholding is only paid by the employee. The amount withheld is the amount remitted to the State of Arkansas.

**Payment Due:** Payment is made monthly by the 15th of the next month.

**Payment Method:** Remittance to Department of Finance Administration (DFA) using Form AR-941M. The state usually sends a packet in January of each year with 12 monthly reports, an annual reconciliation, and address labels. Reports can also be filed online at atap.arkansas.gov. This is the recommended method of filing.

**Other Required Reporting:** Annual reconciliation should be filed using Form AR 3MAR. Due by February 28 of the year immediately following the tax year you are filing

**Valuable Source:** [www.tinyurl.com/dfa-withholding-forms](http://www.tinyurl.com/dfa-withholding-forms)

Federal Unemployment Tax

Federal Unemployment Tax (FUTA) is not currently required by municipalities. Federal Unemployment Tax supplements state if state runs out of funds for benefits.

State Unemployment Tax

State Unemployment Tax (SUTA) is fully paid by the employer. Every January you will receive notification of the annual rate.

The unemployment insurance tax is computed on the wages paid to each employee on a calendar quarter basis. The current taxable wage base that Arkansas employers are required by law to pay unemployment insurance tax on is twelve thousand dollars ($12,000) per employee, per calendar year.

**Payment Due:** Payment of state unemployment tax is made quarterly by the end of the month following the end of each calendar quarter. Therefore, state unemployment tax reports are due by January 31 (for the fourth quarter of the previous calendar year), April 30, July 31, and October 31.

**Payment Method:** Once an employer has established an account with the Department of Workforce Services, reporting forms are provided by mail on a quarterly basis.

Valuable Resource regarding how ADWS charges for benefits: [www.tinyurl.com/dws-newsletter](http://www.tinyurl.com/dws-newsletter). A municipality can elect to pay unemployment tax monthly or pay on a reimbursable option. You may choose the reimbursement payment option within thirty (30) days of the date of your liability as an employer by filing a written notice to the Department of Workforce Services, Employer Accounts Services, P.O. Box 8007, Little Rock, AR 72203. If approved, the election will remain in effect at least two (2) calendar years.
Factors That Should Be Considered Before Choosing The Reimbursement Payment Option

1. This option is generally more advantageous for employers with stable employment; the tax-rated basis is usually more advantageous for employers with high employee turnover.

2. Reimbursement payments will vary depending on the number of former employees who are receiving unemployment benefits; however, with this option it is difficult to estimate costs. In contrast, tax-rated employers can more accurately estimate unemployment costs because their tax rates remain constant for a complete calendar year.

3. Employers who have elected the reimbursement payment option may not be relieved of “charges” (payments) for any reason. This includes cases where former employees are paid benefits after a disqualification for quitting or discharge, or in cases where they are paid benefits after subsequent employment and certain other circumstances. Although tax-rated employers may be relieved of charges for specific individuals, the actual cost of the benefits paid to those individuals is shared by all tax-rated employers. For more information see dws.arkansas.gov/Employers/PDF/UI_EMPLOYER_HANDBOOK.pdf on page 11.

Reports and payments can be made online at www.employment.arkansas.gov/Tax21/Home.aspx

Valuable Source: dws.arkansas.gov/Employers/

Note: Most accounting software programs offer updates at the end of the year and the beginning of the year to encompass all tax rate changes. Be on the lookout for these updates and make sure to download them in a timely manner.

Other Payroll Deductions

There are many different types of deductions and expenses that must be remitted. These range from health insurance, child support, garnishments, or savings accounts. It is common that health insurance is paid by both parties. Garnishments and child support would only be paid by the employee. Retirement plans are usually paid by both parties, but long-term employees may not be required to contribute. Deductions should be processed according to the specific rules for that deduction.

For example, health insurance is usually paid monthly through an accounts payable check. Retirement payments are also paid monthly, LOPFI (www.lopfi-prb.com) and APERS (www.apers.org) both require online processing. Child support and garnishments are usually paid every payroll but the specific requirements can be found in the court order.
**New Hire Reporting**: All employers must report their new and rehired employees to the state directory of new hires. Federal law mandates the new hires be reported within 20 days of the date of hire. For information contact the Arkansas New Hire Reporting Center at 800-259-2095 or 501-376-2125.

**I-9 Forms**: Verification that all new employees are eligible to work in the United States. Each employee must fill one out and provide the necessary documentation within three days of employment.

**W-4 Forms**: The IRS requires a completed W-4 Withholding Allowance Certificate before any employee is entitled to claim withholding allowances. All new employees and those employees whose withholding status has changed should file a new W-4.

**Arkansas State Withholding**: This form is used to claim withholdings for state tax.

**Applications and Job Postings**: Applications should remain on file for one year. Job postings and advertisements should be on file for one year.

Employers must treat medical records as confidential information and must be kept separate and apart from the employee's general personnel file. Access should be limited to individuals with a need to know basis.

All employee files must have an application, W-4 and an I-9 on file.

**Withholdings**: Child support—Remit money immediately. Bankruptcy—Remit as per direction of the court. Garnishment—Remit as per direction of the court.

**Employee Termination**: Worker who quits—pay the next regular payday. Worker fired—pay within 7 days.

**POSTINGS**:

- Federal laws require every covered employer to post specific labor information. If your city has any branch offices or separate locations, each must display a complete set of postings.
- State laws require postings for minimum wage, right to know, unemployment insurance, worker's compensation, and sexual harassment.

**W-2**: Sent to each employee by January 31st. Reports must be filed with a W-3 by February 28th to the Social Security Administration. (These forms should be ordered in October or November).

**1099**: Form used to report income of vendors that are not incorporated, whom you have paid over $600 and must be sent out by January 31st. Reports must be filed with the IRS with a recap form 1096. (These forms should be ordered in October or November).

**W-9**: Request for taxpayer identification number and certification—This form is used to get the correct TIN (taxpayer identification number) to report, for example, real estate transactions, transactions with vendors, etc.

Each municipality or county should have an employee handbook. Each job position should have a job description.

This information is general in nature and does not attempt to give all information that might be needed in each municipality or county. We do not cover anything related to ADA (American's With Disability Act), FMLA (Family Medical Leave Act), Worker's Comp, CDL Drivers (Commercial Driver's License), Military Leave, sick leave, vacations, and holidays, etc. The Arkansas Municipal League has a sample employee handbook available.
COMMON PAYROLL ERRORS TO AVOID

The following are common errors noted in municipal audit reports:

1. Failure to file federal and state payroll reports;
2. Federal and state payroll reports or forms improperly filed;
3. Failure to properly report compensation to the IRS and the Arkansas Department of Finance and Administration (DFA);
4. Failure to properly remit payroll taxes and withholdings to the IRS and DFA; and
5. Failure to reconcile amounts on payroll reports and forms filed with IRS and DFA to city records.

PAYROLL – IN HOUSE OR OUTSOURCE?

One of the most complicated functions in municipal accounting may be the payroll function. Getting employees paid correctly and on time while withholding the appropriate amount of taxes or other authorized deductions and remitting those deducted amounts to the various governmental agencies and others can be challenging.

Usually only one or two employees of the municipality are trained and authorized to perform this task. When these individuals are not available to perform payroll duties, the payroll function can be difficult for the municipality. Some medium to small municipalities have chosen to outsource payroll. Outsourcing payroll can place a large part of the payroll burden on an outside payroll accounting firm, which can reduce the stress on a small municipal accounting staff.

The duties of the treasurer found in the Municipal Accounting Law (A.C.A. §§ 14-59-101 through 118) may be assigned to another employee or contractor if (1) the treasurer requests the reassignment or (2) the treasurer fails to perform those duties (A.C.A. § 14-59-115). Note, however, that the law forbids contracting out the collecting of funds. On the other hand, the law’s previous prohibition on disbursing funds by a non-employee of the municipality was amended by Act 582 of 2015 (amending A.C.A. § 14-59-115). The law now states that “the governing body of a municipality may assign or contract with a private, qualified person or entity for the duties relating to the disbursing of funds for payroll, bonded debt, or construction projects funded with bond proceeds.”

Nevertheless, the law places significant limitations on allowing a non-employee to disburse funds. Act 582 states, “[b]efore the governing body of a municipality assigns or contracts with a person or entity for the disbursing of funds, the governing body of a municipality shall establish by ordinance a method that provides for internal accounting controls and documentation for audit and accounting purposes.” The Act further provides, “[t]he municipal treasurer shall approve the disbursement of funds before the private, qualified person or entity disburses the funds.” Moreover, “[t]he governing body of a municipality shall ensure that the person or entity is adequately insured and bonded and conforms to best practices and standards in the industry.”
FINANCIAL RECORD KEEPING

GENERAL REQUIREMENTS

All accounting records should be maintained separately for each fund and stored in that fashion by year. The following records should be maintained for every fund of the municipality:

- Bank statements for each month with cancelled or imaged checks included. Imaged items must comply with A.C.A. §§ 19-2-501 - 509 (legibility, copies of front and back of checks, approval by Legislative Audit, etc.)
- Cash receipt books and printers certificates.
- Cash receipt and disbursement journals or electronic receipts listing and electronic check register with monthly and year-to-date totals (if you maintain manual records). Transaction records and a detail general ledger should be printed out and retained for every month, if computer records are maintained.
- Check stubs.
- Detail of certificates of deposits including interest rates and renewal dates.
- Bank reconciliations for each month and deposit slips that indicate the range of receipts on each deposit ticket.
- Computer files should be backed up daily and a copy of all monthly printed reports should be filed.
- Paid invoices should be filed either alphabetically or preferably by month.
- IRS Forms 1099 for interest earned.

For information on records retention requirements, please refer to Municipal Law in Arkansas: Questions & Answer, available from the Arkansas Municipal League.

Additional information required for certain funds:

TRUST AND AGENCY FUNDS

Pension Trust Funds

In addition to the records noted above, these funds are required by Arkansas law to maintain other documents. They are as follows:

- Statements of Participation
- Copy of annual report
- Minutes of Board or Council meetings
- Listing of recipients

Agency Funds

Agency funds are defined as funds that are held for safekeeping for others or that belong to others and will ultimately be remitted to other funds/agencies. Examples of these funds that are common to municipalities are: police bond and fine, district court and payroll funds. The additional records that are required to be maintained for these funds are outlined below.

Police bond and fine

- Arrest reports
- Citation log
- Installment payment records
- Monthly settlements
- NSF checks on hand until check made good and redeposited
District court
- Distribution reports
- Court dockets
- Monthly settlements
- Completed citation books
- NSF checks on hand until check made good and deposited

Payroll fund
- Individual payroll records
- Quarterly payroll reports
- W-2s, W-3s, W-4s, 1099s, LOPFI, and APERS records.

**Record Retention**

**Accounting Records**
A.C.A. § 14-59-114 in the Municipal Accounting Law and A.C.A. § 14-237-112 in the Municipal Water and Sewer Department Accounting Law should be referred to for guidance on record retention as to the specific records and information that must be maintained and the length of time that they must be held to be in compliance with Arkansas law. Strict guidelines exist for shredding those archives that take up all the space in your records room; do so with caution. If records can be destroyed according to Arkansas law, create a listing of them under the heading “Affidavit to Destroy Records” and follow the procedures outlined in A.C.A. §§ 14-2-201 and 203.

**Other Records**
In addition to the records enumerated above, the following documents should also be maintained:
- City Council minutes
- Annual financial statements and proofs of publication
- Insurance policies
- Personnel policies
- Budgets
- Ordinances and resolutions and evidence of publication or posting
- Copies of all audit reports
- For first class cities:
  * Mayor’s end of the year report
  * Quarterly financial reports
  * Bids and proofs of publications
COMMON RECORD KEEPING ERRORS TO AVOID

The following are common errors noted in municipal audit reports:

1. Failure to receipt funds received by use of prenumbered receipts or mechanical receipting devices (A.C.A. § 14-59-109).
2. Failure to properly post receipts by fund to a cash receipts journal or electronic receipts listing, which shall be totaled on a monthly and year-to-date basis and indicate receipt number, date, payer, amount, and classification (A.C.A. § 14-59-110).
3. Failure to properly post disbursements to a cash disbursements journal or electronic check register, which shall be totaled on a monthly and year-to-date basis and indicate check number, date, payee, amount, and classification (A.C.A. § 14-59-111).
4. Failure to reconcile bank accounts. The bank reconciliation must be approved by a municipal official or employee, other than the person preparing the reconciliation, as designated by the chief executive officer of the city (A.C.A. § 14-59-108).
5. Failure to maintain adequate supporting documentation for expenditures (A.C.A. § 14-59-105).
7. Failure of first class cities to follow bid requirements for purchases exceeding $20,000 (A.C.A. § 14-58-303).
8. Failure of the mayor to submit a budget to the Council by December 1 of the preceding year; failure of the Council to adopt a budget by February 1; and expenditures exceeding budgeted amounts (A.C.A. §§ 14-58-201, 202, 203).
9. Failure of municipalities to publish or post an annual financial statement by April 1 of the following year (A.C.A. § 14-59-116).
10. Failure to provide an adequate Disaster Recovery Plan and Password Controls for information systems (See “Arkansas Division of Legislative Audit Information Systems Best Practices” at www.arklegaudit.gov).

ADDITIONAL REQUIREMENTS RELATED TO FINANCIAL ACTIVITY

1. The city council is required to review the audit reports and accompanying comments and recommendations at the first regularly scheduled meeting following the receipt of the report. The city council shall take appropriate action relating to each finding and recommendation, and the minutes of the governing body shall document the action taken (A.C.A. § 10-4-418).
2. No council member, official, or employee shall be interested directly or indirectly in the profits of supplying goods or services to the city unless the council has enacted an ordinance specifically authorizing the council member, official or employee to conduct business with the city and prescribing the extent of this authority (A.C.A. § 14-42-107).
3. Municipal disbursements are generally to be made by prenumbered checks (other than petty cash disbursements). Disbursements of municipal funds used for payments to federal or state governmental entities may be made by electronic funds transfer. Disbursements of municipal funds other than payments to federal or state entities may be made after the municipality adopts an ordinance establishing an electronic funds payment system which has been approved by the Legislative Joint Auditing Committee (A.C.A. § 14-59-105). Act 138 of 2019 removed the Legislative Joint Auditing Committee oversight, now municipal electronic funds payment systems must comply with the information systems best practices approved by said committee.
4. The governing body may not assign duties relating to the collecting of funds to anyone other than a municipal employee (A.C.A. § 14-59-115).
5. Arkansas Constitution, Amendment 78 prohibits a city from incurring debt that has a repayment period exceeding 5 years.
A.C.A. § 14-59-107 requires that municipalities maintain certain records regarding fixed assets belonging to the municipality as follows:

1. The governing body shall adopt a fixed asset policy, at a minimum, setting the dollar amount and useful life necessary to qualify as a fixed asset.

2. All municipalities shall establish by major category and maintain, as a minimum, a listing of all fixed assets owned by the municipality.

3. The listing shall be totaled by category.

4. The categories shall include the major types, such as:
   A. Land;
   B. Buildings;
   C. Motor vehicles, by department;
   D. Equipment, by department; and
   E. Other assets.

5. The listing shall contain as a minimum:
   A. Property item number, if used by the municipality;
   B. Brief description;
   C. Serial number, if available;
   D. Date of acquisition; and
   E. Cost of property.

See Appendix C for Fixed Asset Sample Template.
UNCLAIMED PROPERTY

What to do with all those aging, outstanding checks?

Arkansas unclaimed properties are forgotten, intangible assets that have met dormancy periods as set forth by the State of Arkansas and the holder has lost contact with the owner. Favorable record keeping will make it easier to complete your yearly unclaimed property report that is due October 31 of every year. The most common types of unclaimed property within a municipality are unpaid wages, uncashed checks, refunds, and occasionally utility or service deposits.

There are three basic steps involved in filing your unclaimed property report:

1. Search your financial records for things like uncashed or returned checks, etc.
2. Due diligence letters must be mailed to the owner(s) of unclaimed property between 60 and 120 days of filing your report. The letters must be mailed if you have an owner address that may be accurate or if the item is for $50.00 or more. See Appendix D for Due Diligence Sample Template.
3. Any unclaimed property that you are still holding is now ready to be submitted with your unclaimed property report to the Arkansas Auditor of State.

There are different ways to file your report depending on the number of records you have to submit. You may file your report online, submit a NAUPA formatted file on either a diskette or CD-ROM, or you may download a PDF copy of the form, manually complete it and mail it in.

In the case that your municipality is not holding any unclaimed property it is recommended that you file a negative report. Although state law does not require a negative report to be filed, it helps to establish and maintain a record of compliance with the unclaimed property law.

### Timeline for Unclaimed Property Review/Holder Due Diligence

Recommended by the Office of the Auditor of the State of Arkansas

<table>
<thead>
<tr>
<th>Date</th>
<th>Task Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 15</td>
<td>Generate reports with parameters that reflect all accounts that are inactive and could be reportable as unclaimed property</td>
</tr>
<tr>
<td>July 1</td>
<td>Prepare and mail due diligence letters to those customers listed as inactive for whom no other active account has been identified.</td>
</tr>
<tr>
<td>September 1</td>
<td>Provide a list of customers with whom contact has been lost, to the person preparing the report due November 1.</td>
</tr>
<tr>
<td>October 1</td>
<td>Begin preparing the report, verify report, issue check and mail.</td>
</tr>
<tr>
<td>November 1</td>
<td>Report and remittance due at Arkansas Auditor’s Office, Unclaimed Property Division.</td>
</tr>
</tbody>
</table>
OTHER FINANCE RELATED TOPICS

Bond Issues

In Arkansas, bond issues are generally characterized as either *tax supported bonds* or *revenue bonds*. In most cases, a tax supported bond (such as with sales or property taxes) must be approved by voters whereas revenue bonds can be issued without an election. Two exceptions to the requirement of an election for a tax supported bond are: (1) short term (5 year) obligations repayable with general revenues; and (2) tax increment financings (TIFs).

*Examples of revenue bonds* include bonds that are repaid by user fees such as water and sewer revenues, or facility revenues such as rental or lease income generated by a building or housing project. Under Arkansas law, certain projects that are financed with revenue bonds will actually require an election, which include hotels, medical office buildings and amusement parks. Franchise fees are considered revenues related to the use of public rights of way and therefore may be used to support a revenue bond without an election.

*Industrial development bonds* are usually issued as revenue bonds that are repaid by payments from the company that uses and acquires the project that is financed. They are often referred to as Act 9 bonds which refers to the original Arkansas law that authorized such financings in the 1950s. Industrial development bonds might be used as part of a locally approved plan to permit an entity to make a payment in lieu of taxes (PILOT) on a new project that will provide economic benefits to a community. The bond financing is structured with a local government as the owner of the property financed until the debt is repaid thereby permitting a negotiated PILOT payment rather than the regular tax levy.

*Short-term obligations* that are to be repaid with general revenues were authorized by Amendment 78 of the Arkansas Constitution and can be used to finance real or personal property with a useful life of more than one (1) year. They must be repaid within five (5) years and the total amount of short term debt outstanding may not exceed 5% of assessed property valuation in the municipality.

*Sales tax bond financing* with a dedicated tax has been the most effective and successful project funding method for cities and counties since authorization in the early 1980s by the approval of Amendment 62 of the Arkansas Constitution. Amendment 62 also provides authority to issue bonds secured by property taxes, but it has had limited usage. Property tax increases are generally unpopular and in Arkansas have been the primary financing resource for school districts. Also, the financing potential of a sales tax is generally much greater than what generally is possible with an acceptable property tax millage.

An important feature of Amendment 62 requires that each specific purpose must be a separate ballot question for a specific amount of bonds. Therefore, a bond proposal for multiple purposes such as a police station, fire station, recreation facility, and street improvements would require at least four (4) ballot questions.

*Interest rate limits* for publicly issued bonds or other debt were eliminated in 2010 by Amendment 89 of the Arkansas Constitution.

*Other sources of project funding* include the Arkansas Natural Resources Commission that has loan programs to fund water, waste treatment and waste disposal projects. They are the funding source for the loans which generally are structured as revenue or sales tax bonds as described above. The USDA Rural Development Program is also a source of funding for similar projects as well as community facilities and those loans will also be structured as revenue or sales tax bonds.

*An annual report of outstanding revenue bonds* must be submitted to the State Board of Finance as required by A.C.A. § 19-9-502. While some cities include sales tax bonds in their report, they are not revenue bonds and need not be reported. Letters and related forms are sent annually to city treasurers in August with reports to be returned in September. If you have any questions regarding this matter, please contact the State Board of Finance’s office.
INVESTMENTS

Investment Authority

Prior to Act 629 of 2011, city investments were generally limited to U.S. Treasury obligations (bills, notes and bonds) for funds not held in bank accounts or the League sponsored Cash Management Trust. Amendments to A.C.A. §§ 19-1-501 through 504 were made by Act 629 to update the general investment authority for cities and counties. Separate but similar provisions for cities and counties were consolidated into a single set of rules for easier reference. The investment authority was also modestly expanded to include US agencies, plus Arkansas governmental obligations that have A or better ratings. With those changes, the investment authority is now similar to the Government Finance Officers’ Association (GFOA) model statute and authority in other states. To limit market risk, the maturity of bond investments was limited to 5 years, unless an investment is designated for a specific longer term purpose and a sale before maturity is unlikely. Specific authority and guidelines were also added for establishing a brokerage account that is generally required to purchase, hold and sell today’s book entry type investments.

A new A.C.A. § 19-1-505 was added to replace A.C.A. § 14-58-309 (now deleted) that provides broader investment authority for large cities. In order for a city to use this authority it must have total assessed real estate value of $300 million. A provision related to the investment of funds donated to a city was moved from A.C.A. § 19-8-104(c) to A.C.A. § 19-1-504(e).
**Bank Deposit Collateralization**

A.C.A. § 19-8-107 has specific requirements for cities and towns related to bank account agreements and the collateralization of bank deposits that exceed FDIC limits, currently $250,000 per depositor. These changes added specific requirements that were already accepted standards necessary to protect public funds. An article appeared in the League's City & Town magazine in 2010 that is a good reference tool for the legal requirements that must be observed in order to properly secure your bank deposits. A copy appears as Appendix F to this handbook.

A.C.A. § 19-8-107(c)(2) requires the State Board of Finance to make available to municipal governments sample depository agreements and supplemental agreements required to collateralize deposits. Such forms would be provided through the State Treasurer’s office. However, at this time, the State Board of Finance has not provided specific forms that are recommended for use by cities, towns or counties, but it has approved sample documents that appear on the State Treasurer website and also approved a new set of rules and policies in 2012 for state agencies that manage cash funds. A sample Deposit Collateral Agreement and Custodial Services Agreement are provided as part of the new rules and policies.

Below are links to the new State agency rules and sample documents, and the State Treasurer sample documentation.

State agency cash fund policies are found at: tinyurl.com/dfa-policy. Sample documents begin at page 8.

State Treasurer documents are found at: www.artreasury.gov. See “Forms” and click on “Custodial Services Agreement” and click on “Security Agreement.”

These links provide current information as of the date of this handbook. Please also refer to the League's Municipal Law in Arkansas: Questions & Answers publication.

The State agency cash fund policies and documents are the most current and probably the best source for reference information and sample documents. Therefore, we recommend that you use the sample documents included therein as reference for complying with A.C.A. § 19-8-107, particularly when establishing a new bank relationship. However, since many Arkansas banks are familiar with the Treasurer documents, you may have similar documents for your existing bank relationships. The important thing is to make sure your documentation covers the legal requirements necessary to fully protect your bank deposits. Whichever set of sample documents are used as a guide, some editing will be required to change the name of the depositor and related text to your city or town from references to the treasurer or state agency.

It is recommended that you review and discuss this matter at least annually with your banking relationships. When working with a new bank, they will provide proposed security and custodial documents. Make sure they are aware of the requirements of A.C.A. § 19-8-107. Review any proposed or existing documents to make sure they comply. If you have questions about the compliance of your existing documentation, bring this to the attention of your current bank contacts and if necessary, ask that revised documents be prepared.

Contact Cindy Frizzel, Controller for the Arkansas Municipal League if you need assistance.

**Internet Security**

Internet security is a branch of computer security specifically related to the Internet, often involving browser security but also network security on a more general level as it applies to other applications or operating systems on a whole. Its objective is to establish rules and measures to use against attacks over the Internet. The Internet represents an insecure channel for exchanging information leading to a high risk of intrusion or fraud, such as phishing. Different methods may be used to protect the transfer of data, including encryption. Make sure that your computer system is covered by a reputable product that has comprehensive antivirus protection and easy to use back recovery. Always keep your antivirus protection up-to-date and set your computer to automatically check for updates to the antivirus software. Backup, backup, backup! Your city should have a written Internet policy.
GLOSSARY OF TERMS

Administration of Justice Fund: A specific fund required under Arkansas statutes to record the activities associated with receipts and disbursement of funds received by the city clerk from the district or municipal court.

Agency Fund: One of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Capital Projects Fund: A fund type used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Credit: An accounting term used to describe an increase in liabilities, fund equity or fund balance, and revenues. A credit will also decrease an asset or expenditure account. A credit is denoted by a minus sign or brackets.

Debit: An accounting term used to describe an increase in an asset or expenditure account. A debit will also decrease a liability account, fund equity or fund balance account, or a revenue account. A debit is denoted by a plus sign or without brackets.

Debt Service Fund: A governmental fund type used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Enterprise Fund: A proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

Fiduciary Fund Type: Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Classification: One of three broad categories (governmental, proprietary, and fiduciary) used to classify fund types.

Fund Type: One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

General Fund: The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government.

Governmental Fund Type: Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Imprest Fund: A type of fund where cash is set aside for a specific purpose, such as payroll or petty cash, and only those specific transactions are processed in that fund.
**Internal Service Fund**: A proprietary fund type that may be used to report any activity that provides good or services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost-reimbursement basis.

**Investment Trust Fund**: A fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.

**LOPFI Assistance Fund**: A fund used to accumulate the portion of funds received from the State Insurance Commission to assist the government in providing local match for pensioners in the Arkansas Local Police and Fire Retirement System.

**Pension Fund**: A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined pension benefit plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans.

**Permanent Fund**: A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs: that is, for the benefit of the government or its citizens.

**Private Purpose Trust Fund**: A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

**Proprietary Fund Type**: Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**Regulatory Basis of Accounting**: A.C.A. § 14-58-101 allows municipalities to prepare financial statements on the regulatory basis of accounting as follows:

1. Financial statements of municipalities shall be presented on a fund basis with, as a minimum:
   A. The general fund and street fund presented separately;
   B. All other funds included presented in the aggregate.

2. The financial statements shall consist of the following:
   A. A balance sheet;
   B. A statement of revenues, expenditures, and changes in fund balances;
   C. A comparison of the final adopted budget to the actual expenditures for the general fund and street fund; and
   D. Notes to the financial statements.

3. The report shall include as supplemental information a schedule of general fixed assets, including land, buildings, and equipment.

**Special Revenue Fund**: A governmental fund type used to account for the proceeds of specific revenue sources that are restricted (legally or by an outside constraint) or committed (by ordinance) to expenditure for specified purposes other than debt service or capital projects.

**State Turnback**: Monthly the State Treasurer is required to remit certain revenues to cities in Arkansas based on relative population in two distributions: one for general government purposes and one for street maintenance purposes. These monies are referred to as State Turnback.
RESOURCE LIST

Publications:
Arkansas Employers Unemployment Handbook:
- Audit Reports
- Banks approved for check imaging
- Best Practices
GASB Implementation Guide for Arkansas Governments: www.arml.org/services/publications

Internal Revenue Service: www.irs.gov/
- Circular E of the Internal Revenue Service
- Publication 963 Federal/State Reference Guide
- W-4 Forms
- W-9 Forms

Organizations:
- American Institute of CPAs: www.aicpa.org
- Arkansas City Clerk, Recorders, Treasurers Association: www.accrta.org
- Arkansas Department of Finance & Administration: www.dfa.arkansas.gov
  - State Withholding (Payroll Tax)
  - Sales Tax
- Arkansas Department of Workforce Services: www.dws.arkansas.gov
  - Unemployment
  - New Hire Reporting
- Arkansas Government Finance Officers Association: www.arkansasgfoa.org
- Arkansas Municipal League: www.arml.org
- Division of Legislative Audit: www.arklegaudit.gov
- Government Accounting Standards Board (GASB): www.gasb.org
  - Financial Reporting

Additional Resources:
- Government Finance Officers Association: www.gfoa.org
- Arkansas State Treasurer: www.artreasury.gov
- Arkansas Assessment Coordination Department: www.arkansas.gov/acd
- Arkansas Public Employees Retirement System: www.apers.org
- LOPFI/PRB: www.lopfi-prb.com
Suspected fraud and/or misuse of public funds - REPORT IT!!!

Organizations:

- Local Prosecuting Attorney
- Division of Legislative Audit
A SAMPLE MUNICIPAL CALENDAR OF EVENTS

Timing is **everything** in accounting. The best method for accurate and timely reporting is to plan wisely; give yourself enough room to compile, calculate, double check, and submit information to state and federal agencies.

**JANUARY (QUARTER 1)**
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
- 10th - APERS Report (December)
- 10th - Pay LOPFI and Report (December)
- 15th - Pay State Income Taxes (December)
- 20th - Pay Sales Tax on Water Sold (December)
- 31st W-2's (January - December Previous Calendar Year)
- 31st 1099's (January - December Previous Calendar Year)
- 31st - Fourth Quarter 941 Due (October - December Previous Calendar Year Employer Federal Tax)
- 31st - Fourth Quarter ADWS Due (October - December Previous Calendar Year State Unemployment)

**FEBRUARY (QUARTER 1)**
- 1st - Budget must be passed by council.
- Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
- 10th - APERS Report (January)
- 10th - Pay LOPFI and Report (January)
- 15th - Pay State Income Taxes (January)
- 20th - Pay Sales Tax on Water Sold (January)
- 28th - Amend and Close Previous Calendar Year Budget

**MARCH (QUARTER 1/END OF QUARTER 1)**
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
- 10th - APERS Report (February)
- 10th - Pay LOPFI and Report (February)
- 15th - Pay State Income Taxes (February)
- 20th - Pay Sales Tax on Water Sold (February)
- 31st - Firemen Pension (Old Plan) Annual Report Due
- 31st - End of 1st Quarter
APRIL (QUARTER 2)
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
1st - Publish Annual Financial Statement before February 1 (Prior Fiscal Year January - December)
10th - APERS Report (March)
10th - Pay LOPFI and Report (March)
15th - Pay State Income Taxes (March)
20th - Pay Sales Tax on Water Sold (March)
30th - First Quarter 941 Due (January - March Employer Federal Tax)
30th - First Quarter ADWS Due (January - March State Unemployment)

MAY (QUARTER 2)
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
10th - APERS Report (April)
10th - Pay LOPFI and Report (April)
15th - Pay State Income Taxes (April)
20th - Pay Sales Tax on Water Sold (April)

JUNE (QUARTER 2/END OF QUARTER 2)
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
10th - APERS Report (May)
15th - Pay State Income Taxes (May)
20th - Pay Sales Tax on Water Sold (May)
30th - End of APERS fiscal year (July - June)
30th - End of 2nd Quarter
30th - A133 Audit Due (6) months following close of previous fiscal calendar year

JULY (QUARTER 3)
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
1st - Beginning of APERS fiscal year (Employer contribution rates usually increase July 1)
10th - APERS Report (June)
10th - Pay LOPFI and Report (June)
15th - Pay State Income Taxes (June)
20th - Pay Sales Tax on Water Sold (June)
31st - Second Quarter 941 Due (April - June Employer Federal Tax)
31st - Second Quarter ADWS Due (April - June State Unemployment)
AUGUST (QUARTER 3)
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
10th - APERS Report (July)
10th - Pay LOPFI and Report (July)
15th - Pay State Income Taxes (July)
20th - Pay Sales Tax on Water Sold (July)

SEPTEMBER (QUARTER 3/END OF QUARTER 3)
Submit payroll liabilities after each payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
10th - APERS Report (August)
10th - Pay LOPFI and Report (August)
15th - Pay State Income Taxes (August)
20th - Pay Sales Tax on Water Sold (August)
30th - End of 3rd Quarter

OCTOBER (QUARTER 4)
Submit payroll liabilities after every payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
10th - APERS Report (September)
10th - Pay LOPFI and Report (September)
15th - Pay State Income Taxes (September)
20th - Pay Sales Tax on Water Sold (September)
31st - Unclaimed Property Report (The Great Arkansas Treasure Hunt - Aging Checks 1+ Year Old)
31st - Third Quarter 941 Due (July - September Employer Federal Tax)
31st - Third Quarter ADWS Due (July - September State Unemployment)

NOVEMBER (QUARTER 4)
Submit payroll liabilities after every payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
10th - APERS Report (October)
10th - Pay LOPFI and Report (October)
15th - Pay State Income Taxes (October)
20th - Pay Sales Tax on Water Sold (October)

DECEMBER (QUARTER 4/END OF QUARTER 4)
Submit payroll liabilities after every payroll (Bi-weekly vs. weekly vs. dollar amount, etc. and APERS)
1st - Submit Draft Budget to Council by end of December
10th - APERS Report (November)
10th - Pay LOPFI and Report (November)
15th - Pay State Income Taxes (November)
20th - Pay Sales Tax on Water Sold (November)
31st - End of Fourth Quarter
### Appendix A Sample Cash Receipts and Disbursements Journals

#### City/Town of Sample, Arkansas

**General Fund**

#### Cash Receipts Journal

**Fiscal Year Ending 12/31/2013**

<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt Number</th>
<th>Received from</th>
<th>Total</th>
<th>State Aid</th>
<th>Federal Aid</th>
<th>Property</th>
<th>Sales Taxes</th>
<th>Franchisee Taxes</th>
<th>Fines, Forfeitures and Costs</th>
<th>Local Permits and Fees</th>
<th>Other</th>
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<tbody>
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<td>1/5/13</td>
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<td>3,500</td>
<td>3,500</td>
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<td>County</td>
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<td>2,432</td>
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<td></td>
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<tr>
<td>1/7/13</td>
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<td>1,437</td>
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<td>3,428</td>
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<tr>
<td>1/9/13</td>
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<td>Entergy</td>
<td>486</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1/9/13</td>
<td>1006</td>
<td>John Doe</td>
<td>75</td>
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<td>75</td>
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<tr>
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<tr>
<td>1/18/13</td>
<td>1008</td>
<td>Centerpoint/Arkla</td>
<td>376</td>
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<td>1/18/13</td>
<td>1009</td>
<td>Jan Doe</td>
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<td>1/18/13</td>
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<td>1,567</td>
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<td></td>
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<tr>
<td></td>
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<td><strong>Monthly Totals</strong></td>
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<td>3,500</td>
<td>10,000</td>
<td>2,432</td>
<td>3,428</td>
<td>862</td>
<td>3,004</td>
<td>75</td>
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<tr>
<td></td>
<td></td>
<td><strong>Year-to-date Totals</strong></td>
<td>23,316</td>
<td>3,500</td>
<td>10,000</td>
<td>2,432</td>
<td>3,428</td>
<td>862</td>
<td>3,004</td>
<td>75</td>
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#### Cash Disbursements Journal

**Fiscal Year Ending 12/31/2013**

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<tr>
<th>Date</th>
<th>Check Number</th>
<th>Payee</th>
<th>Total</th>
<th>Personal Services</th>
<th>Supplies</th>
<th>Other Services &amp; Charges</th>
<th>Personal Services</th>
<th>Supplies</th>
<th>Capital Outlay</th>
<th>Debt Service</th>
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<td>1/2/13</td>
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<td>AT&amp;T</td>
<td>381</td>
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<td></td>
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<td>1/3/13</td>
<td>2002</td>
<td>Regions Bank</td>
<td>651</td>
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<td></td>
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<td>651</td>
</tr>
<tr>
<td>1/4/13</td>
<td>2003</td>
<td>Bill’s Police Supply</td>
<td>125</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>125</td>
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<tr>
<td>1/8/13</td>
<td>2004</td>
<td>Smith Chevrolet</td>
<td>25,433</td>
<td></td>
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<td>25,433</td>
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<tr>
<td>1/9/13</td>
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<td>Payroll Account</td>
<td>3,736</td>
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<td></td>
<td></td>
<td>2,369</td>
</tr>
<tr>
<td>1/10/13</td>
<td>2006</td>
<td>Farmer’s &amp; Merchants Bank</td>
<td>324</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>1/17/13</td>
<td>2007</td>
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<td>121</td>
</tr>
<tr>
<td>1/18/13</td>
<td>2008</td>
<td>Wal-Mart</td>
<td>26</td>
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<td>26</td>
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<tr>
<td>1/19/13</td>
<td>2009</td>
<td>Payroll Account</td>
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<td>2,493</td>
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<td>1/30/13</td>
<td>2010</td>
<td>Centerpoint/Arkla</td>
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<td>153</td>
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<td></td>
<td></td>
<td></td>
<td>284</td>
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<tr>
<td></td>
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<td><strong>Monthly Totals</strong></td>
<td>35,197</td>
<td>2,735</td>
<td>26</td>
<td>511</td>
<td>4,861</td>
<td>125</td>
<td>529</td>
<td>25,433</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Year-to-date Totals</strong></td>
<td>35,197</td>
<td>2,735</td>
<td>26</td>
<td>511</td>
<td>4,861</td>
<td>125</td>
<td>529</td>
<td>25,433</td>
</tr>
</tbody>
</table>

Note: A.C.A. § 14-59-111 states that classifications of expenditures shall include the major type of expenditures (personal services, supplies, etc.) by department (mayor, clerk, treasurer, police, fire, etc.). Only 2 departments are shown above for illustrative purposes.
### Appendix B Sample Chart of Accounts

<table>
<thead>
<tr>
<th>Example Municipal Fund Codes</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1000</td>
</tr>
<tr>
<td>Street</td>
<td>2000</td>
</tr>
<tr>
<td><strong>Special Revenue Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Local Police And Fire Retirement</td>
<td>3001</td>
</tr>
<tr>
<td>Fire Equipment And Training - Act 833</td>
<td>3002</td>
</tr>
<tr>
<td><strong>Capital Projects Funds</strong></td>
<td></td>
</tr>
<tr>
<td>City Hall Construction</td>
<td>4001</td>
</tr>
<tr>
<td><strong>Debt Service Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Sales Tax Bond</td>
<td>5001</td>
</tr>
<tr>
<td><strong>Agency Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Police Bond And Fine</td>
<td>6001</td>
</tr>
<tr>
<td>District Court</td>
<td>6002</td>
</tr>
<tr>
<td><strong>Enterprise Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Landfill</td>
<td>7001</td>
</tr>
<tr>
<td><strong>Trust Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Nonuniform</td>
<td>8001</td>
</tr>
<tr>
<td>Police</td>
<td>8002</td>
</tr>
<tr>
<td>Fire</td>
<td>8003</td>
</tr>
</tbody>
</table>
## MUNICIPAL DEPARTMENT CLASSIFICATIONS

<table>
<thead>
<tr>
<th>General Government</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Mayor’s office</td>
<td>0100</td>
</tr>
<tr>
<td>City Clerk’s office</td>
<td>0101</td>
</tr>
<tr>
<td>City Treasurer’s office</td>
<td>0102</td>
</tr>
<tr>
<td>City Council</td>
<td>0103</td>
</tr>
<tr>
<td>City Attorney</td>
<td>0104</td>
</tr>
<tr>
<td>Planning Department</td>
<td>0105</td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>0106</td>
</tr>
<tr>
<td>Computer Services</td>
<td>0107</td>
</tr>
<tr>
<td>Economic Development</td>
<td>0108</td>
</tr>
<tr>
<td>Advertising and Promotion</td>
<td>0109</td>
</tr>
<tr>
<td>Tourism</td>
<td>0110</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Highways and Streets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Street Department</td>
<td>0200</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Law Enforcement</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Police Department</td>
<td>0301</td>
</tr>
<tr>
<td>District/City Court</td>
<td>0302</td>
</tr>
<tr>
<td>Animal Control</td>
<td>0303</td>
</tr>
<tr>
<td>Dispatch</td>
<td>0304</td>
</tr>
<tr>
<td>Police Pension</td>
<td>0305</td>
</tr>
<tr>
<td>Judge and Clerk Retirement</td>
<td>0306</td>
</tr>
<tr>
<td>Drug Control</td>
<td>0307</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Safety</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Department</td>
<td>0401</td>
</tr>
<tr>
<td>911</td>
<td>0402</td>
</tr>
<tr>
<td>Fire Pension</td>
<td>0403</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sanitation</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sanitation Department</td>
<td>0501</td>
</tr>
<tr>
<td>Landfill</td>
<td>0502</td>
</tr>
<tr>
<td>Recycling</td>
<td>0503</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Ambulance service</td>
<td>0601</td>
</tr>
<tr>
<td>Mosquito control</td>
<td>0602</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recreation and Culture</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks and recreation</td>
<td>0701</td>
</tr>
<tr>
<td>Library</td>
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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Senior Citizen’s Center</td>
<td>0801</td>
</tr>
<tr>
<td>Cemetery</td>
<td>0802</td>
</tr>
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<table>
<thead>
<tr>
<th>Airport</th>
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</thead>
<tbody>
<tr>
<td>Municipal Airport</td>
<td>0901</td>
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<tr>
<td>EXAMPLE CHART OF ACCOUNTS</td>
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</tr>
<tr>
<td>---------------------------</td>
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<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>1010</td>
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<td>Investments</td>
<td>1020</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1030</td>
</tr>
<tr>
<td>Interfund Receivables</td>
<td>1040</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>2010</td>
</tr>
<tr>
<td>Interfund Payable</td>
<td>2020</td>
</tr>
<tr>
<td>Settlements Pending</td>
<td>2030</td>
</tr>
<tr>
<td>Fund Balance</td>
<td></td>
</tr>
<tr>
<td>3000</td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>3100</td>
</tr>
<tr>
<td>Restricted</td>
<td>3200</td>
</tr>
<tr>
<td>Committed</td>
<td>3300</td>
</tr>
<tr>
<td>Assigned</td>
<td>3400</td>
</tr>
<tr>
<td>Unassigned</td>
<td>3500</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>4000</td>
<td></td>
</tr>
<tr>
<td>State Aid</td>
<td>4100</td>
</tr>
<tr>
<td>Federal Aid</td>
<td>4200</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>4300</td>
</tr>
<tr>
<td>Franchise Fees</td>
<td>4400</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>4500</td>
</tr>
<tr>
<td>Fines, Forfeitures, And Costs</td>
<td>4600</td>
</tr>
<tr>
<td>Interest</td>
<td>4700</td>
</tr>
<tr>
<td>Local Permits And Fees</td>
<td>4800</td>
</tr>
<tr>
<td>Sanitation Fees</td>
<td>4900</td>
</tr>
<tr>
<td>Gas And Oil Company Reimbursements</td>
<td>4910</td>
</tr>
<tr>
<td>Other</td>
<td>4950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal services</td>
</tr>
<tr>
<td>Supplies</td>
</tr>
<tr>
<td>Other services and charges</td>
</tr>
<tr>
<td>Capital outlay</td>
</tr>
<tr>
<td>Debt service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER FINANCING SOURCES (USES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0000</td>
</tr>
<tr>
<td>Transfers in</td>
</tr>
<tr>
<td>Contribution from water department</td>
</tr>
<tr>
<td>Transfers out</td>
</tr>
<tr>
<td>Contribution to water department</td>
</tr>
</tbody>
</table>
**EXAMPLE MUNICIPAL EXPENDITURE CODES CHART**

**PERSONAL SERVICES:** Amounts paid to both permanent and temporary government employees, including personnel substituting for those in permanent positions. This category includes gross salary for personal services rendered while on the payroll of the government and amounts paid by the government on behalf of employees; these amounts are not included in the gross salary, but are in addition to that amount. Such payments are fringe benefits payments and, although not paid directly to employees, are a part of the cost of personal services.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5001</td>
<td>Salaries, Full-Time</td>
</tr>
<tr>
<td>5002</td>
<td>Salaries, Part-Time</td>
</tr>
<tr>
<td>5003</td>
<td>Extra Help</td>
</tr>
<tr>
<td>5004</td>
<td>Contract Labor</td>
</tr>
<tr>
<td>5005</td>
<td>Overtime and Other Premium Compensation</td>
</tr>
<tr>
<td>5006</td>
<td>Social Security Matching</td>
</tr>
<tr>
<td>5007</td>
<td>Retirement Matching</td>
</tr>
<tr>
<td>5008</td>
<td>Noncontributory Retirement</td>
</tr>
<tr>
<td>5009</td>
<td>Health Insurance Matching</td>
</tr>
<tr>
<td>5010</td>
<td>Workmen's Compensation</td>
</tr>
<tr>
<td>5011</td>
<td>Unemployment Compensation</td>
</tr>
<tr>
<td>5012</td>
<td>Other Fringe Benefits</td>
</tr>
<tr>
<td>5013</td>
<td>Car Allowance</td>
</tr>
<tr>
<td>5014</td>
<td>Cobraserv</td>
</tr>
<tr>
<td>5015</td>
<td>Uniform Allowance</td>
</tr>
<tr>
<td>5016</td>
<td>Life Insurance</td>
</tr>
</tbody>
</table>

**SUPPLIES:** Amounts paid for items that are consumed or deteriorated through use or that lose their identity through fabrication or incorporation into different or more complex units or substances.

**SUPPLIES**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6001</td>
<td>General Supplies</td>
</tr>
<tr>
<td>6002</td>
<td>Small Equipment</td>
</tr>
<tr>
<td>6003</td>
<td>Janitorial Supplies</td>
</tr>
<tr>
<td>6004</td>
<td>Clothing and Uniforms</td>
</tr>
<tr>
<td>6005</td>
<td>Fuels, Oils, and Lubricants</td>
</tr>
<tr>
<td>6006</td>
<td>Tires and Tubes</td>
</tr>
</tbody>
</table>

**REPAIR AND MAINTENANCE SUPPLIES**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6020</td>
<td>Building Materials and Supplies</td>
</tr>
<tr>
<td>6021</td>
<td>Paints and Metals</td>
</tr>
<tr>
<td>6022</td>
<td>Plumbing and Electrical</td>
</tr>
<tr>
<td>6023</td>
<td>Parts and Repairs</td>
</tr>
<tr>
<td>6024</td>
<td>Maintenance and Service Contracts</td>
</tr>
<tr>
<td>6025</td>
<td>Asphalt</td>
</tr>
<tr>
<td>6026</td>
<td>Culvert and Pipe</td>
</tr>
<tr>
<td>6027</td>
<td>Gravel, Dirt, and Sand</td>
</tr>
</tbody>
</table>
6028  Lumber and Pilings  
6029  Small Tools  
6030  Concrete  
6031  Bridges and Steel  

OTHER SERVICES AND CHARGES  
PROFESSIONAL SERVICES: Services that by their nature can be performed only by persons or firms with specialized skills and knowledge. Although a product may or may not result from the transaction, the primary reason for the purchase is the service provided.  
7001  Accounting and Auditing  
7002  Management Consulting  
7003  Computer Services  
7004  Engineering and Architectural  
7005  Special Legal  
7006  Other Professional Services  

COMMUNICATIONS  
7020  Telephone and Fax - Landline  
7021  Postage  
7022  Cell Phones and Pagers  
7023  Internet Connection  

TRANSPORTATION  
7030  Travel  
7031  Common Carrier  

ADVERTISING AND PUBLICATIONS  
7040  Advertising and Publications  

INSURANCE (OTHER THAN PERSONAL SERVICES)  
7050  Official and Employee Bond  
7051  Boilers and Machinery Insurance  
7052  Fire and Extended Coverage  
7053  Fleet Liability  
7054  Other Sundry Insurance  

UTILITIES  
7060  Utilities - Electricity  
7061  Utilities - Gas  
7062  Utilities - Water  
7063  Utilities - Water Disposal
RENTALS AND LEASES (NOT LEASE PURCHASE)
- 7070 Rent - Land and Buildings
- 7071 Rent - Machinery and Equipment
- 7072 Lease - Land and Buildings
- 7073 Lease - Machinery and Equipment

PUBLIC RECORDS
- 7080 Public Records

MISCELLANEOUS
- 7090 Dues and Memberships
- 7091 Miscellaneous Law Enforcement
- 7092 Meals and Lodging
- 7093 Vending Machines - Food/Drinks
- 7094 Other Miscellaneous
- 7095 Training and Education
- 7096 Computer Software, Support, and Maintenance Agreement

CAPITAL OUTLAY
- 8001 Land
- 8002 Buildings
- 8003 Improvements Other Than Buildings
- 8004 Machinery and Equipment (Other Than Vehicles)
- 8005 Vehicles
- 8006 Construction in Progress

DEBT SERVICE
- 9001 Bond Principal
- 9002 Bond Interest
- 9003 Note Principal
- 9004 Note Interest
- 9005 Lease Purchase Principal
- 9006 Lease Purchase Interest
APPENDIX C SAMPLE FIXED ASSET LISTING

CITY/TOWN OF SAMPLE, ARKANSAS
FIXED ASSET LISTING
FISCAL YEAR ENDING 12/31/2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Acquisition Date</th>
<th>Property No.</th>
<th>Serial No.</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lot 5, Section C</td>
<td>7/2/71</td>
<td></td>
<td></td>
<td>$ 5,000</td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Hall</td>
<td>7/2/71</td>
<td></td>
<td></td>
<td>$ 54,257</td>
</tr>
<tr>
<td>Fire Station</td>
<td>10/24/81</td>
<td></td>
<td></td>
<td>$ 26,482</td>
</tr>
<tr>
<td><strong>TOTAL BUILDINGS</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 80,739</td>
</tr>
<tr>
<td><strong>Motor Vehicles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991 Chevy Truck</td>
<td>7/6/05</td>
<td></td>
<td>BR549</td>
<td>$ 10,502</td>
</tr>
<tr>
<td>1991 Fire Truck</td>
<td>12/14/07</td>
<td></td>
<td>V187K816G987</td>
<td>$ 35,864</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 45,626</td>
</tr>
<tr>
<td><strong>Fire</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972 Fire Truck</td>
<td>8/18/97</td>
<td></td>
<td>V1357M751R321</td>
<td>$ 9,762</td>
</tr>
<tr>
<td><strong>TOTAL MOTOR VEHICLES</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 56,128</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dell Computer</td>
<td>9/14/08</td>
<td></td>
<td>CW12589KL654</td>
<td>$ 2,500</td>
</tr>
<tr>
<td>Power Washer</td>
<td>12/19/10</td>
<td></td>
<td>WKRP325</td>
<td>$ 2,764</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 5,264</td>
</tr>
<tr>
<td><strong>Fire</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jaws of Life</td>
<td>4/1/12</td>
<td></td>
<td>682RDL937</td>
<td>$ 2,534</td>
</tr>
<tr>
<td><strong>TOTAL EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 7,798</td>
</tr>
<tr>
<td><strong>TOTAL FIXED ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 149,665</td>
</tr>
</tbody>
</table>

Note: A list of deletions and additions must be maintained in order to reconcile beginning balance to ending balance. Beginning balance of the current year (or ending balance of the previous year) plus additions less deletions should equal ending balance of the current year.
Letterhead

Date
Name
Address
City, State, Zip
Re:

Our records indicate that the following check issued to you is still outstanding:

Check # Date Issued Amount

Please indicate the disposition of the check on the bottom of this form and return it to us within 10 days.

Disposition of check:

☐ I cashed the above-referenced check. Provide date cashed, if known: ___/___/___

☐ I am holding the above-referenced check for the following reason:

☐ I received the above-referenced check, but it has been lost or destroyed. Please issue a replacement check.

☐ I did not receive the above-referenced check. Please issue a replacement check.

☐ Other, explain:

Please sign here: __________________________
Address: __________________________________________________________
STATE BOARD OF FINANCE

REVENUE BOND REPORT

June 30, 2012

REPORTING AGENCY: City of ________________________________

PURPOSE OF ISSUANCE: (Please attach separate form for each issue.)

AMOUNT OF ISSUE $_____________ AMOUNT OUTSTANDING $_______________

PERCENTAGE INTEREST RATE PAYABLE %

PLEDGED REVENUES FOR BONDS

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>TYPE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>(project, governmental unit, special fund, etc.)</td>
<td>(fees, charges, etc.)</td>
<td></td>
</tr>
</tbody>
</table>

PLEASE ATTACH REPAYMENT SCHEDULE.

***************

THERE WERE NO REVENUE BONDS OUTSTANDING AT JUNE 30, 2012 FOR THIS AGENCY.

Completed by:

NAME ________________________________
TITLE ________________________________
Securing Bank Deposits
Reprinted from City & Town, May 2010
By Jim Buttry (1940-2013)

Jim Buttry was a partner in the Friday, Eldredge & Clark, LLP law firm until he passed away in 2013. He was a longtime counsel and friend to municipal governments in Arkansas. He practiced municipal bond law from 1967 until his retirement. A graduate of the University of Arkansas (LL.B., 1963) and Georgetown University (LL.M., 1966), he also was a member of the National Association of Bond Lawyers and had been recognized in Best Lawyers in America and in Chambers USA 2010 as among “Leaders in Their Field.”

I last put together an article for City and Town on the securing of public deposits in 1993. I thought that I was finished with the matter. Indeed, I announced in the article that it was my “swan song” on the subject. With some trepidation, I have been drawn back into the matter, chiefly because of changes in state law and the request of my friend Paul Young, the League’s finance director, who collaborated on and contributed greatly to this article. Also, the General Assembly made significant changes in the Uniform Commercial Code in 2001. I must acknowledge my reliance on Hawkland & Rogers UCC Series (Rev Art 8).

I repeat the disclaimers that I issued in 1993 and add one. Here are the disclaimers:

- The scope of this article is limited. It deals with the “perfection” and “control” of security interests in collateral pledged to secure public deposits. I have, for example, not attempted to deal with the details involved in the liquidation of collateral in the event of a bank failure.
- I have not attempted to deal with whether a particular deposit is of public funds, eligible for collateralization under federal and state law. Nonprofit entities associated with or supporting governmental purposes would be examples of entities that might not qualify.
- Any change in existing law or regulations can affect the conclusions or opinions expressed in this article.
- We are required by IRS Circular 230 to inform all readers of this article that any statements contained in it are not intended or written to be used, and cannot be used, by anyone for the purpose of avoiding any penalties that may be imposed under federal law.

Portions of this article repeat portions of the 1993 article. (I am confident that there is no risk of anyone’s remembering the latter.)

I have used the term “municipality” herein to refer to all public bodies. This article is written as addressed to municipalities and, accordingly, the term “you” refers to them. References to the “UCC” are to the Arkansas Uniform Commercial Code. I have referred to “indorse” and “indorsement,” as that is how it is spelled in the UCC.

Bond lawyers have been accused of having the mind of a “file cabinet.” Being a bond lawyer, I am conservative in the opinions expressed here. Your lawyer may disagree with some of them (and in a lawsuit might be upheld). Bond lawyers look upon an “opinion” as a “conviction.” This, basically, amounts to a reasonable doubt standard.

Some background

Securities were used to secure (or “collateralize”) loans before there were any uniform or clear statutory rules covering such transactions. Banks lend on the basis of such collateral, of course, every day. In the typical deposit transaction (including a certificate of deposit) the parties are reversed. The bank is borrowing from the depositor, for our purposes here, the municipality. (But the same state laws are applied.) Because more than one person can claim to own a security, or an interest in it, the challenge has always been to determine which claimant has a prior right or interest. In the event of a bank failure, you want your collateral to...
protect your funds against the claims of other bank creditors, primarily the claims of the FDIC.

Under Arkansas law, a municipality’s deposits in excess of FDIC insurance coverage ($250,000 until Dec. 31, 2013, when the amount will revert to $100,000) should be secured by a “perfected” pledge of certain eligible securities. This is set forth in Arkansas Code of 1987 Annotated at § 19-8-107 and § 19-8-203. It is not clear whether the requirement for an “eligible security” as collateral refers to both securities and to “security entitlements,” which I will discuss below. This suggests that some consideration might be given to the amendment of our state statutes recognizing and confirming that eligible “securities” may be in the form of security entitlements.

Since 1993 the list of securities which are “eligible securities” for the securing of public funds has grown from a very short one (direct obligations of the United States or obligations guaranteed by the United States) to a very long one as found in A.C.A. § 19-8-203, which by reference includes § 23-47-401. Some of the items to be used by Arkansas banks as deposit collateral are:

- Direct obligations of the United States;
- Obligations of agencies and instrumentalities created by act of the Congress and authorized thereby to issue securities or evidences of indebtedness, regardless of guarantee of repayment by the United States (such as government sponsored entities like Fannie Mae, Freddie Mac or the Federal Home Loan Banks);
- Obligations the principal and interest of which are fully guaranteed by the United States or an agency or an instrumentality created by an act of the Congress and authorized thereby to issue such guarantee;
- General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof (provided the issuer has not had a default in the past 10 years);
- Surety bonds issued by insurance companies licensed under the laws of the state of Arkansas that meet the statutory rating requirements or are listed on the then-current United States Department of the Treasury Listing of Approved Sureties;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks; or
- Revenue bond issues of any state of the United States or any municipality or any political subdivision thereof.

Some of the above, such as state or municipal revenue bonds, will only be suitable as collateral if they have very strong credit quality and short to intermediate maturity. (The statute which authorizes state bank investments in them limits to 20 percent the portion of a bank’s capital base that may be so invested.)

In addition to the changes in eligible securities, the General Assembly enacted major amendments to the UCC, in 2001. These include, in particular, amendments to those provisions dealing with the creation and perfection of security interests.

In order to be protected, a depositing municipality must comply both with (1) the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (so called “FIRREA”) and (2) the UCC.

A look at FIRREA

Congress enacted FIRREA in response to the savings and loan turmoil of the 1980s. Among other things, it included additional requirements for the validity and enforceability of security interests against the FDIC in a takeover.

The requirements of FIRREA, which are set forth in 12 United States Code § 1823(e), are that there be an agreement, which agreement must be in writing,

(a) executed contemporaneously with the acquisition of the collateral,

(b) maintained, continuously from the time of execution, as an official record of the bank, and

(c) approved

(i) by the board of directors or loan committee of the bank,

(ii) which approval must be shown in the minutes of the board or the committee.

It is instantly obvious that, of the FIRREA requirements, (b) is difficult and (a) would be
worse. Happily the FDIC has recognized the difficulties with (a), and has announced that it will not seek to avoid a security interest, otherwise perfected and legally enforceable, solely because the agreement does not meet the “contemporaneous” requirement. The FDIC policy was enacted into law in 1994 but the security agreement must still be adopted in the ordinary course of business, and not in the contemplation of insolvency. If you fail to have a security agreement in place prior to when you have reason to fear insolvency of a bank, it will likely be too late.

Also, to be effective, the security agreement should include a description of the eligible collateral and how specific collateral is to be identified at any point in time, such as by a confirmation from the third party custodian of the collateral. After all, one reason for the agreement requirement is to permit examiners to identify any claims against the assets of the bank.

Now we consider state law

When I began practicing law, nearly all securities were in the form of paper certificates which were held (physically) by the true, or beneficial, owner. In order to pledge a security to secure a debt, the certificates were delivered to the lender and endorsed by the owner. There was rarely any doubt about who owned the security or who had a security interest in it. If the security was in registered form, instructions were given to the registrar. In the event of a default, the securities could be instantly liquidated. But there was a terrible problem. By the 1970s the volume of traded certificates was overwhelming the markets. At one point, the New York Stock Exchange closed on Wednesdays in order to allow market participants to catch up with the paperwork.

The Uniform Commercial Code was rewritten to authorize uncertificated securities. The issuer's registrar made an entry on its books reflecting the identity of the owner and reflecting any security interest granted by the owner. But the markets had gotten ahead of the change in the UCC and had already established a system that utilized certificates. But these certificates were “jumbo” or immobilized and held by a single registered owner, today The Depository Trust Company or DTC. If you buy a security today, other than a U.S. treasury or agency obligation, it is almost certainly registered to the nominee of DTC, and DTC reflects on its books not you as the owner but a “securities intermediary” (typically a broker or bank) which holds the security for you. Therefore, today almost all securities are held in one of two ways:

- Uncertificated—For the most part, only U.S. treasury or agency obligations are held in this way. For them the registrar is a Federal Reserve Bank, and there is a direct relationship between the owner and the issuer. That is, the identity of the owner is reflected on the book maintained by the issuer's registrar. Transfers are made by notification to the registrar.
- Certificated but “indirect”—DTC maintains records which reflect ownership by a “participant” which is a “securities intermediary” and what you own is not a security but is a package of rights and interests against your securities intermediary. This package is called a “security entitlement.” This is the “indirect system,” and it is now the system for the holding and transfer of almost all municipal bonds and corporate securities.

Now, we get to “perfection,” which primarily requires “control” of the pledged collateral. The Government Finance Officers Association recommends the use of a custodian, which is typically a bank and is preferably a separate trust or safekeeping department. In most cases, this will be accomplished by having a custodian hold the bank's pledged collateral in its name on your behalf pursuant to an agreement so that nothing can be done with the collateral unless you approve. Also, the agreement should permit you to sell the collateral if necessary to satisfy your deposits without the consent of the bank or the FDIC. Typically, the custodian will be an independent party that regularly holds your bank's securities or security entitlements for this and other business purposes. In order to establish properly the arrangement and protect your interest, you will need to enter into a three party agreement among you, the custodian and your bank in which the parties will acknowledge these terms and that the collateral is held on your behalf. This is in addition to the security agreement required by FIRREA, discussed above.
In the uncertificated system, a security interest can be perfected in a security by having your custodian reflected as the owner of the securities on the books of the registrar. This amounts to perfection even against a “protected purchaser.” (More on that below.)

In the indirect system, your custodian will not own a security or an interest in a security. The custodian will own an interest in an account held by your bank. Your security interest in a security entitlement is perfected when the securities intermediary maintaining the account indicates by book entry that the securities entitlement has been credited to an account in the name of your custodian (and you, the bank and your custodian enter into the agreement described above). Based on this arrangement, the intermediary will comply with orders originated by you and your custodian without the consent of the bank. Bear in mind: A security entitlement is not a claim to a specific identifiable thing; it is a package of rights and interests that a person has against the person’s securities intermediary (e.g., broker) and the property held by the intermediary. (Uniform Commercial Code Official Text and Comments, § 8-503.) The UCC makes clear the priority of a protected purchaser of a security over the holder of a security entitlement. A protected purchaser is one that acquires a security for value without the notice of another claim. It is theoretically possible for a protected purchaser to trump the interest of a public depositor’s claim to a security entitlement that is maintained by the DTC system. However, that would clearly require a very unusual security transfer to a holder other than DTC. Surprisingly, there is little precedent and guidance in that regard. But logic would suggest that the FDIC, as receiver of the depository bank, should recognize a properly perfected security interest in a security entitlement as a perfected security interest in the underlying securities, as the depository bank has lost control of those securities.

No magazine article can cover every transaction or serve as a substitute for consultation with your counsel. For your reference, the GFOA’s Recommended Practice on this topic accompanies this article (see pages 18 and 19). It has similar information on the requirements of FIRREA and also includes some recommendations on related matters such as collateral valuation. In fact, officials charged with the responsibility of securing deposits in excess of FDIC coverage should, as appropriate, consult with the municipality’s banker, lawyer or accountant (or some or all of them). The list of eligible securities is now long and the requirements of both state and federal law are strict. You want to be secure against an FDIC claim and be able to liquidate your securities without FDIC consent. It would be hard to be too careful. Remember that your League is available to assist.
BEST PRACTICE


**Background:** The safety of public funds should be the foremost objective in public fund management. Collateralization of public deposits through the pledging of appropriate securities or other instruments (e.g., surety bonds or letters of credit) by depositories is an important safeguard for such deposits. The amount of pledged collateral is determined by a public entity's deposit level. Some states have established programs for the pooling of collateral for deposit of public funds.

Federal law imposes certain limitations on collateral agreements between financial institutions and public entities in order to secure public entity deposits. Under certain circumstances, the Federal Deposit Insurance Corporation (FDIC) may void a perfected security interest and leave the public depositor with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

**Recommendation:** The Government Finance Officers Association (GFOA) recommends the use of pledging requirements as protection for state or local government's deposits. GFOA encourages state and local governments to establish adequate and efficient administrative systems to maintain such pledged collateral, including state or locally administered collateral pledging or collateral pools. To accomplish these goals, GFOA recommends the following:

1. Public entities should implement programs of prudent risk control. Such programs could include a formal depository risk policy, credit analysis, and use of fully secured investments. In the absence of a state program for pooling collateral, public entities should establish and implement collateralization procedures, including procedures to monitor their collateral positions. Monitoring informs a public entity of undercollateralization, which may threaten the safety of an entity's deposits, and overcollateralization, which may increase the cost of banking services.

2. State and local government depositors should take all possible actions to comply with federal requirements in order to ensure that their security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution. Federal law provides that a depositor's security agreement, which tends to diminish or defeat the interest of the FDIC in an asset acquired by it as receiver of an insured depository, shall not be valid against the FDIC unless the agreement:
   - is in writing;
   - was approved by the board of directors of the depository or its loan committee; and
   - has been, continuously, from the time of its execution, an official record of the depository institution.

3. Public entities should have all pledged collateral held at an independent third-party institution, and evidenced by a written agreement in an effort to satisfy the Uniform Commercial Code (UCC) requirement for control. The UCC states that the depositor does not have a perfected interest in a security unless the depositor controls it. Control means that swaps, sales, and transfers cannot occur without the depositor's written approval.
   - The value of the pledged collateral should be marked to market monthly, or more frequently depending on the volatility of the collateral pledged. If state statute does not dictate a minimum margin level for collateral based on deposit levels (e.g., Georgia and Minnesota statutes require 110 percent), the margin levels should be at least 102 percent, depending on the liquidity and volatility of the collateral pledged. State statutes also govern whether minimum margin levels apply to principal only or to accrued interest as well. Public entities should review applicable state statutes and confirm compliance.
• Substitutions of collateral should meet the requirements of the collateral agreement, be approved in writing prior to release, and the collateral should not be released until the replacement collateral has been received.

4. The pledge of collateral should comply with the investment policy or state statute, whichever is more restrictive.

5. Public entities that use surety bonds in lieu of collateral should limit the insurers to those of the highest credit quality as determined by a nationally recognized insurance rating agency.

6. The public entity should review the terms and conditions of any letters of credit, including those issued by a federal agency or government sponsored enterprise.

Note: As a result of the court case North Arkansas Medical Center v. Barrett, 963 F.2d 780 (8th Cir. 1992), the FDIC issued a policy statement in March 1993 indicating that it would not seek to void a security interest of a federal, state, or local government entity solely because the security agreement did not comply with the contemporaneous execution requirement set forth in Section 13(e) of the Federal Deposit Insurance Act 12 U.S.C.1823(e). The policy statement was officially enacted by Section 317 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law 103-325).

References

• Sample Custodial Trust Agreement, GFOA, 1995.

Approved by the GFOA’s Executive Board, October 23, 2007.