

1   **ORDINANCE NO.** \_\_\_\_\_  
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3           **AN ORDINANCE TO AMEND LITTLE ROCK, ARK., REV. CODE**  
4           **ARTICLE VI, DIVISION 5 (1988), FINANCIAL REPORTING**  
5           **STANDARDS, TO UPDATE THE FINANCIAL REPORTING**  
6           **ORDINANCES SO THAT THEY CONFORM TO CURRENT**  
7           **GOVERNMENTAL REPORTING STANDARDS, PRACTICES,**  
8           **TERMINOLOGY AND DEFINITIONS; TO DECLARE AN EMERGENCY;**  
9           **AND FOR OTHER PURPOSES.**

10  
11           **WHEREAS**, the City of Little Rock’s (“City”) Board of Directors (“Board”) desires to amend the  
12 City’s Financial Reporting Standards Ordinances so that they conform to current governmental reporting  
13 standards, practices, terminology, and definitions; and,

14           **WHEREAS**, the City has an Annual Operating Budget that is in excess of Three Hundred Million  
15 Dollars (\$300,000,000); and,

16           **WHEREAS**, the assets and deferred outflows of resources included in the City of Little Rock,  
17 Arkansas’ Annual Comprehensive Financial Report Government Wide Statement of Net Position for the  
18 year ending December 31, 2021, including the primary government and component units, is Two Billion,  
19 Seven Hundred Thirty-Nine Million, Three Hundred Eighty-One Thousand, Eight Hundred Dollars  
20 (\$2,739.381.800); and,

21           **WHEREAS**, the Board believes that financial reporting for a public sector entity such as the City  
22 should conform to all relevant State Laws, as well as the Governmental Accounting, Auditing, and Financial  
23 Reporting standards as set out by the Government Finance Officers Association, and should also be in a  
24 format that is clearly recognizable to the members of the Board, as well as to the members of the public;  
25 and,

26           **WHEREAS**, these Statutes and Standards permit some variation in the way that financial information  
27 is reported, so that in fulfilling these goals in the past the City has not always used the same method which,  
28 among other things, makes comparisons of financial reports difficult and, for those not aware of how the  
29 City wishes to have this information reported, can lead to misunderstanding of what information is being  
30 provided; and,

31           **WHEREAS**, to avoid these concerns the Board has concluded that it is appropriate to adopt a uniform  
32 method of reporting financial information to be used by the City Manager, the Chief Financial Officer and  
33 the staff of the City Finance Department.

34           **NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE CITY**  
35 **OF LITTLE ROCK, ARKANSAS:**

1       **Section 1.** The Code of Ordinances for the City of Little Rock, Arkansas, Article VI, Financial  
2 Reporting, Division 5, Financial Reporting Standards, is hereby amended to update the following sections:  
3       Section 2-246 - Definitions.

4           *Accrual Basis of Accounting* means a basis of accounting that recognizes the financial effect  
5 of transactions, events, and interfund activities when they occur, regardless of the timing of  
6 related cash flows.

7           *Basis of Accounting* means the method used to capture the timing of recognition, that is, when  
8 the effects of transactions or events should be recognized for financial reporting purposes. For  
9 example, the effects of transactions or events can be recognized on an accrual basis (i.e., when the  
10 transaction or event takes place, or on a cash basis, i.e., when cash is received or paid). Basis of  
11 accounting is an essential part of measurement focus because a particular timing of recognition is  
12 necessary to accomplish a particular measurement focus. The cash basis of accounting shall not be  
13 used by the city except to account for miscellaneous cash revenues such as fines, permits, licenses,  
14 and fees that are not accrued, or for other items not practicably measured until cash is received.

15           *Board of Directors* means the Mayor and members of the Board of Directors of the City of  
16 Little Rock, Arkansas.

17           *City* means the City of Little Rock, Arkansas.

18           *City Clerk* means the City Clerk, or designated representative, of the City, or if no one is  
19 officially serving in the position, the Acting City Clerk, or designated representative.

20           *City Manager* means the City Manager, or designated representative, of the city, or if no one  
21 is officially serving in the position, the Acting City Manager, or designated representative, which  
22 may include an Assistant City Manager.

23           *Cash Basis of Accounting* means a basis of accounting that recognizes transactions or events  
24 when related cash amounts are received or disbursed.

25           *Chief Financial Officer* means the Chief Financial Officer, or designated representative, or  
26 if no one is serving in the position, the Acting Chief Financial Officer.

27           *Consistency* means the principle according to which once an accounting principle or  
28 reporting method is adopted, it will be used for all similar transactions and events.

29           *Expenditures* means decreases in net financial resources under the current financial resources  
30 measurement focus and pertains to payment of normal operating payments and encumbrances.  
31 Expenditures are measured in governmental fund accounting.

32           *Expenses* mean the cost of doing business in a proprietary organization and can be either  
33 outflows or the using up of assets (cost expiration) such as the depreciation of fixed assets. Within  
34 the context of this division, “proprietary organization” or “proprietary fund” refers only to a method  
35 of accounting and is not used as any reference to whether the enterprise is conducted in a

1 governmental or proprietary manner as that term is understood in Arkansas State Law. The City  
2 shall operate all enterprises referred to in this division in its governmental capacity.

3 *Fund Balance and Net Position* mean the difference between fund assets plus deferred  
4 outflows of resources and liabilities plus deferred inflows of resources reflected on the balance  
5 sheet or statement of net position.

6 *Generally Accepted Accounting Principles (GAAP)* means the conventions, rules and  
7 procedures that serve as the norm for the fair presentation of financial statements. Cash basis and  
8 income tax basis are not considered to be in accordance with GAAP.

9 *Government Fund type* means funds generally used to account for tax-supported activities.  
10 There are five (5) different types of governmental funds: the General Fund; Special Revenue  
11 Funds; Debt Service Funds; Capital Project Funds; and Permanent Funds.

12 *Modified Accrual Basis of Accounting* means a basis of accounting according to which 1)  
13 revenues are recognized in the accounting period in which they become available and  
14 measurable; and 2) expenditures are recognized in the accounting period in which the fund  
15 liability is incurred, if measurable, except for unmatured interest on general long-term debt and  
16 certain similar accrued obligations, which should be recognized when due.

17 *Month-End Close* means one month following the month reported. Up to two (2) weeks shall  
18 be allowed for the preparation of reports and variance analysis.

19 *Proprietary Fund Type* means funds that focus on the determination of operating income,  
20 changes in net assets, or cost recovery, financial position, and cash flows. There are two (2)  
21 different types of proprietary funds: Enterprise Funds and Internal Service Funds. Within the  
22 context of this division, “proprietary organization,” or “Proprietary Fund” refers only to a method  
23 of accounting and is not used as any reference to whether the enterprise is conducted in a  
24 governmental or proprietary manner as that term is understood in Arkansas State Law. The City  
25 operates all enterprises referred to in this division in its governmental capacity.

26 *Retained Earnings* means the excess of revenue or expenditures that has accumulated since the  
27 inception of a proprietary fund.

28 *Revenue(s)* means:

- 29 (1) Increases in the net current assets of a governmental fund type from other than  
30 expenditure refunds and residual equity transfers, but does not include any general  
31 long-term debt proceeds and operating transfers in (which are classified as “other  
32 financing sources”) unless these constitute a reservation of fund balances for  
33 encumbrances carried forward from the prior year and the expenditure for which the  
34 fund balance was created has also been carried forward; or,  
35 (2) Increases in the net total assets of a proprietary fund type from other than expense  
36 refunds, capital contributions and residual equity transfers, but does not include

1 operating transfer in which are classified separately from revenues unless these  
2 constitute a reservation of fund balances for encumbrances carried forward from the  
3 prior year and the expense for which the fund balance was created has also been carried  
4 forward.

5 Section 2-248 - Monthly Financial Report.

6 The Board of Directors shall receive a monthly financial report as follows:

7 (a) Budget comparison reports for budgeted funds shall be prepared and submitted to the Board  
8 of Directors by the City Manager and Chief Financial Officer within a reasonable time after  
9 the month-end close as follows:

10 (1) A Monthly Financial Report, governmental fund type, which is an unaudited  
11 statement of revenues, expenditures, and changes in fund balances which also  
12 shows a comparison of budgeted to actual amounts.

13 (2) A Monthly Financial Report, proprietary fund type, which is an unaudited statement  
14 of revenues, expenses and changes in net position which also shows a comparison  
15 of budgeted to actual amounts.

16 (b) For purposes of this section, a “reasonable time after month-end close” shall, except for  
17 the months of the first quarter and December, mean two (2) calendar weeks after month-  
18 end close unless the Chief Financial Officer, prior to that time, notifies the Board of  
19 Directors in writing that the time frame cannot be met because of circumstances beyond  
20 the City’s control and, provided that the report(s) will be published to the Board of  
21 Directors in accordance with this division as soon as reasonably possible which shall be  
22 within a time period not to exceed thirty (30) calendar days from the initial due date for  
23 the report(s).

24 (1) For purposes of this section, a “reasonable time after month-end close” shall, for  
25 the months of the first quarter and December, mean four (4) calendar weeks after  
26 month-end close unless the Chief Financial Officer, prior to that time, notifies the  
27 board of directors in writing that the time frame cannot be met because of  
28 circumstances beyond the city’s control and, provided that the report(s) will be  
29 published to the board of directors in accordance with this division as soon as  
30 reasonably possible which shall be within a time period not to exceed thirty (30)  
31 calendar days from the initial due date for the report(s).

32 (c) For purposes of this section, any report issued shall also contain a written explanation of  
33 significant variances of actual revenues and expenditures or actual revenues and  
34 expenses. The definition of a significant variance for any Fiscal Year shall be determined  
35 by the Board of Directors and shall be defined in a section of the Annual Budget  
36 Ordinance for that Fiscal Year.

1 (d) Absent a signed and detailed written statement to the contrary, which may be presented  
2 independently by either the City Manager or the Chief Financial Officer in the exercise of  
3 their best professional judgment, the publication to the Board of Directors of any Monthly  
4 Financial Report shall be deemed the equivalent of an affirmation by the City Manager and  
5 the Chief Financial Officer that for the period identified in the report:

6 (1) The report has been prepared from the accounting records of the city; and

7 (2) The City Manager and the Chief Financial Officer believe the accounting records  
8 accurately reflect:

9 (A) For the governmental fund type, the revenues and the expenditures and  
10 the fund balances; or,

11 (B) For the proprietary fund type, the revenues and the expenses and the net  
12 position.

13 (e) The Board shall include the receipt of the Monthly Financial Report as an agenda item at  
14 the first regular meeting after its receipt.

15 (f) The format of all Monthly Financial Reports shall be in accordance with Governmental  
16 Accounting Standards and shall include Annual Budget, Year-to-Date Budget, actual,  
17 variance from Budget, and prior year for all budgeted funds.

18 Sec. 2-251 - Publication of Financial Reports.

19 In addition to publishing reports required in this division to the Board of Directors, the City Manager,  
20 Chief Financial Officer and City Clerk shall also publish them as follows:

21 (a) Monthly Financial Reports shall be made available to the public and shall be published  
22 on any website the City maintains.

23 (b) Financial presentations regarding Financial Reports shall be made available on any  
24 government access channel the City maintains with a cable television operator.

25 Sec. 2-253. - Destruction of Financial Records.

26 Financial Records necessary to fulfill the requirements of this division may be destroyed:

27 (a) Unless otherwise required by state statute or regulation, after the expiration of seven (7)  
28 years, provided there has been an annual audit for the period covered by such records,  
29 the City Manager may authorize the destruction of all records and documents pertaining  
30 to the reports identified in this division if a memorandum has been prepared that  
31 identifies the records and documents, the method of destruction, the date of destruction,  
32 and the employee(s) who carried out the destruction; or,

33 (b) At any time that the originals of the records are no longer required for any evidentiary  
34 purpose in a court of law and:

35 (1) The records have otherwise been retained in an electronic format or similar  
36 technology; and,

- 1 (2) There has been an annual audit for the period covered by such records; and,
- 2 (3) Records retained in such a manner are accepted for accounting or evidentiary
- 3 purposes as true and accurate reflections of the information contained in the
- 4 record; and,
- 5 (4) There is on file an affidavit that sets forth the records that have been so retained,
- 6 the person or entity who placed the records in an electronic format or similar
- 7 technology, and a statement that the recordation is a true, accurate, and complete
- 8 preservation of the records; and,
- 9 (5) A back up copy of the records is available; and,
- 10 (6) The records are to be maintained in this form for at least a period of seven (7)
- 11 years.

12 Sec. 2-254. - Restricted Reserve Fund.

13 As a part of any City Budget, and as a part of all financial reports required by this division, there shall  
14 be identified a restricted fund balance that constitutes a restricted reserve fund for the City. Any  
15 changes in this fund from the most immediate prior report of a similar nature shall be noted and  
16 explained by the City Manager and Chief Financial Officer.

17 Section 2-255. - Timeline for Finance Department Reporting Requirements.

18 As a part of each Annual Budget, the Board shall include a section which sets forth the timeline for  
19 the receipt and reporting of information required by this division. This timeline shall be prepared by  
20 the City Manager, after consultation with the Chief Financial Officer and all appropriate financial  
21 institutions and shall constitute an annual guideline to assure the efficient and accurate maintenance  
22 of City Fiscal Records and Reports.

23 Sec. 2-256. - Provisions in Relation to Federal and State Law.

- 24 (a) The provisions of this division shall be interpreted as supplemental to the provisions of
- 25 any Federal or State Law that addresses issues of Local Government Financial Reporting.
- 26 (b) The City Manager and Chief Financial Officer shall always be required to prepare and
- 27 publish Financial Reports in accordance with the provisions of this division.
- 28 (c) Notwithstanding the supplemental nature of this division, the City Manager and Chief
- 29 Financial Officer shall not be required to publish any financial reports otherwise required
- 30 by Arkansas State Law to be published if:
  - 31 (1) The reports are duplicative to reports that are already published as required by
  - 32 this division; and,
  - 33 (2) The Federal or State Law in question permits a municipality to obtain an
  - 34 exemption from the publication provisions of the law; and,
  - 35 (3) The City has received such an exemption.

1       **Section 3.** No monies donated, or otherwise provided to the City, for a specific purpose shall ever  
2 be used at any time for a different purpose.

3       **Section 4. Severability.** In the event any title, section, paragraph, item, sentence, clause, phrase, or  
4 word of this ordinance is declared or adjudged to be invalid or unconstitutional, such declaration or  
5 adjudication shall not affect the remaining portions of the ordinance which shall remain in full force and  
6 effect as if the portion so declared or adjudged invalid or unconstitutional was not originally a part of the  
7 ordinance.

8       **Section 5. Repealer.** All laws, ordinances, resolutions, or parts of the same, that are inconsistent with  
9 the provisions of this resolution, are hereby repealed to the extent of such inconsistency including, but not  
10 limited to, Little Rock, Ark., Ordinance No. 18,605 (December 18, 2001), and the definition prior to the  
11 passage of this ordinance of the term *Retained earnings*.

12       **Section 6. Emergency.** *It is essential to the City's public health, safety, and welfare to assure that a*  
13 *uniform method of financial reporting be approved and in place, in order to assure that the Board of Directors*  
14 *has all necessary and appropriate information available to it as it decides the various legislative issues it faces*  
15 *during the Fiscal Year that are impacted by the financial condition of the City; further, the Board of Directors*  
16 *believes that compliance with the terms and conditions of this amendment of the Financial Reporting Standards*  
17 *Ordinances for the City of Little Rock, Arkansas, that are not already a part of the current City Procedure,*  
18 *should begin immediately; therefore, an emergency is declared to exist and this ordinance shall be in full force*  
19 *and effect from and after the date of this adoption.*

20 **PASSED: March 21, 2023**

21 **ATTEST:**

**APPROVED:**

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23 \_\_\_\_\_  
24 **Susan Langley, City Clerk**

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**Frank Scott, Jr., Mayor**

25 **APPROVED AS TO LEGAL FORM:**

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27 \_\_\_\_\_  
28 **Thomas M. Carpenter, City Attorney**

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