



**DATE:** 07/14/09

**TO:** Jonesboro City Council  
**cc:** All Department Heads

**FROM:** Mayor Harold Perrin & Jim W. Barksdale, Finance Director

**RE:** City's Finances Year-to-Date as of 06/30/09

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### **REVENUES** (Receipts)

The receipts for the City of Jonesboro total \$24.5M year-to-date (YTD) as of 06/30/09. This leaves \$26.8M, or 52% of budgeted revenues to be collected for the rest of the year. Compared to budget, we are \$1.2M, or 4.6%, below target.

Total sales tax revenue through first 6 months of 2009 equals \$12.5M, which is up \$51.6K or .4% over 2008. Despite our forecast of only 4.5% growth, sales tax revenues have flattened, due to the economic downturn. Compared to budget, sales tax revenue is \$705K or 5.3% below plan, despite being up the \$51.6K over last year. This uncertainty in the economy bolsters the administration's decision to slow spending until we get stronger revenue figures.

State turnback revenue YTD 2009 is \$1.73M, up \$40.6K or 2.4% over YTD 2008. Compared to a budget of \$1.64M, turnback is up \$92.5K. If trends continue, we expect turnback revenues to be \$180K more than 2009 budget. This will mitigate some of the unpredicted loss in sales tax revenue.

Franchise tax revenues totaled \$1.27M YTD 2009, up \$18K or 1.5% over 2008; and up \$59.4K above budget. Franchise revenues will also make up another \$108K in stagnant sales tax revenues.

A&P (Advertising & Promotions) revenues are 253K YTD 2009, up \$68K or 37% over YTD 2008. We have caught up on all past due accounts except for two and they are now on payment plans. Current year revenue includes \$53K in prior period revenue collections. In addition, we had more revenue due to the ice storm because hotels were full.

### **EXPENDITURES** (Disbursements)

Year-to-date YTD expenditures {disbursements} are \$32.47M, leaving \$30.09M or 46% of available budget to spend. The benchmark for the first 6 months is to have 50.0% left to spend. Keep in mind, one time expenditures for the lease payoff of \$2.8M and Fixed Asset purchases of \$1.7M have increased the operating cost above benchmark.

Proactively, Mayor Perrin led the efforts to reduce the Capital Improvement spending plan by \$502K and city operating cost by \$597K for a total of \$1.09M and other cost managing efforts such as reducing cellular telephone bills by \$2K per month.

## **PENSION FUNDS**

As of 6/30/2009, the Police Pension balance was \$9.84M, up \$225K from December 31, 2008; an increase of 2%. The Non-uniform Pension balance is \$5.17M, an increase of \$633K or 14% in asset value. Both pensions have experience increases because of the rebounding stock market.

## **Alexander Thompson & Arnold Update**

**Bank Account Review** – All bank accounts have been reconciled for all in months in 2008 and January through April, 2009. The City of Jonesboro staff is completing May, 2009 bank reconciliations.

**Chart of Accounts Changes** – We received ATA’s final recommended changes. Mike Hewitt will come to Jonesboro on July 22 to present and review with the accounting staff.

## **Springbrook Update**

We are currently in the process of training all departments to use Springbrook to prepare the 2010 budget. Jack has completed testing phase of our new procedures and department staff training is schedule for the remainder of July.

Once we make final chart of accounts decisions, we will begin testing the new chart in a dummy database. This will allow us to identify any problems and workout solutions before fully implementing on January 1, 2010.

The final Springbrook project for this year, will be to implement the Legislature Audits EDP finding and recommendations. This will require merging ATA’s internal control recommendations with the ones from legislative audit to set up security controls in Springbrook by position or by level. ATA and Jack Turner have completed the internal control review. The only step left is to review access levels of all positions and establish security levels required for each position.

## **General Accounting Improvements**

We have come a long way from 2008 and made many improvements. In addition to addressing the issues noted above, we have done the following:

1. **Established daily review** procedures.
2. **Established EOM, EOQ and EOY closing procedures.** (See Appendix A – C for new procedures added in the past year.) These procedures will help ensure that many of the tasks required to maintain accurate accounting are done on a regular basis.
3. **Developed dozens of reports for both management and the council.** (See City’s Website.) Jack Turner also discovered dozens of useful reports, which we use daily to monitor city finances.

4. **Initiated more aggressive collection of revenues.** Becky goes out daily to call on past due accounts, the collection staff has developed audit procedure to verify we get all tax and license monies due to the City. We implemented the Mayor's suggestion to review DFA sales and identified another potential \$58K in privilege license revenue which the collection staff is pursuing. After publishing the past due list, we collected another \$6,096 leaving only \$1,217 number that have not paid.
5. **Improved documentation of city bank accounts.** We now have an official list of all accounts that is reviewed monthly and maintained. In addition, our accountants have taken over reconciliation all bank accounts from ATA now that ATA's 2008 bank reconciliation work is completed. Furthermore, our accountants and the City Collector review bank statements daily and compare to the general ledger for further assurance that we stay on top of all financial activity.
6. **Established formal budget adjustment process in Springbrook** and written documentation in 2008. All budget adjustments are summarized in reports provided to the council each month. We also started using the budget module within Springbrook and will use all budget modules for the first time in the 2010 budget process.
7. **Implemented the Mayor's recommended changes to Worker's Compensation** which saved the city money reduced employee's tax liability & strengthened our compliance with federal & state laws.
8. **Prepared 2008 financial statement before the state deadline of March 1, 2009.** Deadlines were not met in 2008 due to turnover and not having Springbrook reports set up properly. HJ worked extremely hard and did all the financial accounting adjustments which included over 30 pages of corrections to the 2009 books. She did an excellent job and the rest of the finance staff as well. In particular, Christy Wall and Teresa Shaver worked several weekends to key in those adjustments and another 58 pages of AJE recommended by ATA. Jack Turner developed all the reports I required to produce financials we published plus the month reports for 2009. All finance staff assisted in research and analysis in some way and they are to be commended.
9. **Increase Proof of Publications fees at the Mayor recommendation to cover the City's cost.** We were losing thousands per month to this process because the cost to publish outpaced our fee schedule which had not been adjusted for inflations or anything else in dozens of years. The Mayor's Revenue Enhancement committee will address all the other fees.
10. **Reduced the number of City credit cards at the Mayor's recommendation** to get a better handle on controlling expenditures.
11. **Set up Springbrook system to prevent spending more than the approved budget amounts.** In the past, the system warning was not adhered to and in 2008 expenditures were millions above the approved budget which had to be fixed in a clean-up ordinance.
12. **Completed a reconciliation of all fixed assets at the Mayor's request.** This resulted in identifying assets the city did not use which we sold and brought in \$235K to City funds.
13. **Implemented budget cuts of \$502K in capital improvements, \$597K in operations for a total of \$1.099 million per Mayor's request until revenues pick up.** This was a prudent response to the flattening of sales tax revenues and decline in privilege license. We

established a budget control account to move all saved appropriations to so we can easily see savings to the city and better manage the budget.

14. **Started implementation of the modified accrual accounting required by Legislative Audit.** We won't be able to complete the full change until auditors leave and we finish all the chart of account changes. Our accountants completed the City's first Accounts Receivable List for 2007 and 2008 to comply with auditor's request. Jim Eagan did a great job coming in his first day and helping HJ complete two years of analysis in less than a week!

In all, we have made dozens of changes, corrections and implemented new procedures. By the end of the year, we plan to have all procedures and policies written and know we are in compliance with state, federal and municipal laws. The GFOA's (Government Finance Officers Association) guidelines on all procedures will also act as our model for developing new policies and improving general finance department operations.

# Appendix A

 	Month: <b>June 2009</b>
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<b>Finance Department Monthly Checklist</b>			Initials	
Priority	Description	Dated Completed	Performed By	Reviewed By
A1	Prep a list of over budget items to review with Department Head & add to report pack		Teresa	JB/Kevin
A1	Prepare JV(journal voucher) to post pension fund activity.		HJ	JE
A1	Prepare all Finance Committee reports & graph		JB	JB
A1	Print the EOM reports from Springbrook. (See Report Checklist tab)		Jack/Julie	Kevin/JE
A1 - H1.0	Prepare monthly budget reports:			
A1 - H1.1	1) Budget Variance - Actual vs. Budget YTD by Department.		Kevin	JB
A1 - H1.2	2) Budget Adjustments Report by Department.		Kevin	JB
A1 - H1.3	3) Prepare Budget Adjustments Confirmation Report to be signed by Finance Director.		Kevin	JB
A1 - H3.0	Send pension fund reports for LOPFI members, send & prepare report to Members & Finance Director .		Christy	Kevin
A1 - H3.1	1) Police Pension		Ken/JE	JB
A1 - H3.2	2) Non-Uniform Pension		Ken/JE	JB
A1 - H3.3	3) LOPFI - Old		Christy	Kevin
A1 - H3.4	4) LOPFI - New		Christy	Kevin
A1 - K1.0	Reconcile all bank accounts to the General Ledger (GL) :			
A1 - K1.1	1) Liberty Bank Accounts to GL Fund Balances		Accountants	JB
A1 - K1.2	2) BancSouth Accounts to GL Fund Balances		Accountants	JB
A1 - K1.3	3) Regions Accounts to GL Fund Balances		Accountants	JB
A1 - K1.4	4) Prepare Bank Reconciliation Summary for Finance Committee		Accountants	JB
A1 - K1.51	5) First Security Accounts to Cash Receipts for Credit Card payments		Accountants	JB
A1 - K1.52	5) Withdraw 1st Security funds paid with Credit Cards & transfer to General or other Appropriate Fund.		Becky	JE
A1 - K1.6	6) Employee Benefit account Liberty bank reconciliation		Julie	JE
A1 - K1.7	7) Old LOPFI Fire Insurance reconciliations		Christy	Kevin
A1 - K1.8	8) Reconcile bank accounts for the State & Federal Forfeiture funds in the Police department (Copy of statements)		ATA	
A1 - K2.0	Prepare monthly financial reports:			
A1 - K2.1	1) Receipts, disbursements and fund balances-Month & YTD.		JB	Accountants
A1 - K2.2	2) Receipts, disbursements and fund balances-Month & YTD Comparison.		JB	Accountants
A1 - K2.3	3) Major Revenues & Expenditures by Month with bar chart (Current vs. Prior Year).		JB	Accountants
A1 - K2.4	4) Report of Major Capitol Expenditures-Month & YTD.		Steve	Kevin
A2	Post interest received to appropriate funds last month's interest was transferred		Ken/Julie	JE/Becky
A2	Review all blue checks. Make sure manually JE's are posted correctly.		HJ & Brenda	Kevin
A2	Copy all bank transfers from Becky		JE	JB
A2	Review Sales tax transfers any other adjusting entries		JE/HJ	JB
A2	Reconcile cash receipts spreadsheet to cash deposits on bank statements		Becky	JE
Adj 01	Manually adjust "888" Refund accounts to properly state Revenues.		JE/Kevin	HJ
Adj 02	Complete JV Correction Confirmation form to be signed by Finance Director.		Kevin	HJ
Adj 03	Make all necessary adjusting entries for the month & review with Finance Director.		Accountants	HJ
A1	Complete Blackbook Payroll worksheets.		Christy	Kevin
B1	Review EOM JV for posting pension activity.		Accountants	HJ
B1	Review all invoices for proper signature, budget and accounting & prepare EOM vendor list (update vendor list)		Kevin	JB
B1	Review sampling of expenditures to determine if expenditures are being properly classified.		Kevin	JB
B1	Review sampling of receipts to determine if expenditures are being properly classified.		JE	HJ
B1	Review the 888 and 999 accounts and document that items are cleared properly.		JE/Kevin	HJ
B1	Review JETS to make sure cost of other agencies are not charged to JETS.		Kevin	JB
B1	Reviews collateralization of the city funds in local banks & FDIC coverage & Prepare Report for Finance Director.		Becky/Julie	JE
B1	Review the posting of insurance, taxes and payroll accounts after each payroll.		Christy	Kevin
B1	Review list of retired employees who have paid insurance.		Christy	Kevin
B1	Review A&P Commissions Expenses		Alison	JB
B1	Cut Check for Credit Card activity and deposit in Liberty Bank.		Becky/JE	JB
B1	Review all 90 & 91 clearing accounts to make sure they are cleared for the month.		Accountants	JB
B1	Send past due invoice reports to department heads each month to discuss and review past due during department head meetings.		Becky/JE	JB
B1	Review List of Delinquent Motel Taxes		JE/Becky	JB

## Appendix B

<b>QUARTERLY Checklist</b>			
<b>Priority</b>	<b>Description</b>	<b>Performed By</b>	<b>Reviewed By</b>
A	Send bills to the local high schools for resources(Police) officers. These receipts go into the general fund because Police is budgeted in the General Fund. [due Jan. 31]	BECKY/JE	KEVIN
A	Make accounting adjustment for 2% discount we received on the Tourism tax & Sales tax on camping fees the city charges that are remitted to the state.	BECKY/JE	HJ
A	Complete 941 Payroll reports for the IRS. (Employer's Quarterly Contribution and Wage Report)	CHRISTY	KEVIN
A	Review Springbrook Service Packs and test changes on dummy data before implementation.	JACK	ERICK
A	Lock prior periods and future periods beyond 3 months.	HJ	JB/HJ
A	Sign Off on Quarterly reimbursement of expenses for MPO (Amin)	AMIN	JB
A	Insure all grant fund reports have been completed and mailed.	JE	JB
A	Semiannual financial statements (ACA 14-59-116)	HJ	JB
A	Complete multiple worksite report [Unemployment & taxes; list of all employees]	CHRISTY	KEVIN
A	Complete employer's quarterly Federal Tax return (941)	CHRISTY	KEVIN
A	Finance Memo to Council	JB	ALL

Appendix C

<b>ANNUAL &amp; OTHER Checklist</b>			
<b>Priority</b>	<b>Description</b>	<b>Completed By</b>	<b>Reviewed By</b>
A	Review signor on bank accounts revise as needed.	TBA	All
A	Draft City Water & Light Letter to request the \$300K check for purchase of Fire Trucks.	TBA	All
A	LOCKOUT PRIOR YEAR. Once we have closed out the year, this needs to be done to prevent accidental entries being made to the prior period.	TBA	All
A	Prepare financial report for Town & Country, for the old police pension.	TBA	All
A	Prepare 1099's for contract vendors due Dec. 31	TBA	All
A	Prepare list of outstanding Purchase Orders for year end	TBA	All
A	Do longevity Pay (Jan 15)	TBA	All
A	Do Holiday Pay (Dec 15)	TBA	All
A	Suspend Christmas Club (Oct 31)	TBA	All
A	Enter in new Christmas club (Nov)	TBA	All
A	Enter in car allowance information (Dec) [All employees w/ take-home cars charged \$3.08/day of use IRS taxes]	TBA	All
A	W-2's and 1099-R's (Jan)[retired mayors]	TBA	All
A	Salary update for Principal (Feb)	TBA	All
A	Report for old Police Pension	TBA	All
A	945 report	TBA	All
A	State tax return (Jan) [personal income]	TBA	All
A	Bid out Christmas club account (Oct)	TBA	All
A	Prepare city privilege license for new year (Dec) and send invoices.	TBA	All
A	City Street Revenue & Expenditure Report (AHTD)	TBA	All
A	Bank Account bids for new contract.	TBA	All
A	Check the Flex Med/Flex Child Care amounts entered by HR	TBA	All
A	Deduct the annual sick bank [due Jan. 9]	TBA	All
A	Roll over accounts from previous year [due Jan. 1]	TBA	All
A	Change year default in Springbrook [due Jan. 1]	TBA	All
A	Change signatures if needed i.e. check signatures, stamp signatures... [due Jan. 1]	TBA	All
A	Record Intrafund loan transfers for Cafeteria Plan	TBA	All
A	Complete Financial Management Assessment Survey for DOE (Grnats)	TBA	All
B	An email stating "change has been made to your Point of Contact (POC) information via the CCR web site" will come around at the first of the year. Nothing has to be done with this. Tony makes the changes needed.	TBA	All