



DATE: 04/16/09

TO: Mayor Harold Perrin & Finance Committee
cc: Jonesboro City Council & All Department Heads

FROM: Jim W. Barksdale, Finance Director

RE: City's Finances Year-to-Date as of 03/31/09

REVENUES (Receipts)

The receipts for the City of Jonesboro total \$13.49M year-to-date (YTD) as of 03/31/09. This represents 26.3% of planned receipts (budgeted revenues), leaving \$37.84M to be collected for the rest of the year. The target for the first 3 months for revenues received is 25% (or 3/12ths), so the good news is **we are above plan**. However, despite being above the 25% target, **we are \$693K below last year's first quarter total of \$14.18M**, which was 32.9% of planned receipts.

Total sales tax revenue through first 3 months of 2009 equal \$6.46M, which is up \$140K or 2.2% over 2008's total. Despite economic downturns, sales tax revenues continue to increase *but at a decreasing rate*. Revised projections show relatively flat growth in sales tax revenue for the second half of the year.

State turnback revenue for the first quarter of 2009 is \$906K, up \$42K or 4.7% over first quarter 2008. Despite this good news, history suggest caution, shows the average monthly turnback was \$289K in 2007 and \$285K in 2008.

Franchise tax revenues totaled \$748K for the first quarter, up \$61K or 8.8% over 2008.

Interest income received in 2009 is down significantly from 2008 due to the change in rate from a little over 4.1% to a little over 1.47%. Total interest received YTD 2009 is \$61.7K compared to \$323.3K in 2008.

Grant Revenues total \$2.4M up significantly over the \$280K received in the first quarter of 2008. These funds are essentially pass through that cover expenses for the Nice Pak Quick Action grant.

A&P(Advertising & Promotions) revenues are down slightly. We received \$51.8K for the first quarter, down \$40K from \$91.8K received the first quarter of 2008. The City Collector has been trying to get a response from one chain of hotel's(headquartered out of state) that has *missed four months of payment*. She found out the person in California that was responsible for paying the taxes was out due to a serious illness. *Her replacement was not made aware*, during her training, which the tax had to be paid. Once Becky got her on the phone, we received a commitment to send in the tax.

Another chain is 25 months past due on their tax bill! They made one payment since 2007 and none this year. However, the city has no real enforcement other than adding a 10% penalty. The City Collector has made calls, sent letters and visited in person, but we only get a promise to pay from the owner. ***We estimate the total past due at \$40K*** but without knowing their sales revenue, we can only estimate based up average of prior months paid.

At some point, we need to revisit the ordinance requiring the tax and consider some measure of enforcement. Citations can be issued for businesses that don't pay the alcohol tax, maybe we should consider something similar. Once these collections issues are resolved, we expect to receive the \$385K as projected in our budget.

On a side note, we received our first check of **\$11,712.33 from the Natural Gas Service tax.** This is a new revenue item from taxes levied on natural gas mining.

EXPENDITURES (Disbursements)

As of March 31, 2009, the **City of Jonesboro spent \$17.44M, leaving \$40.05M (or 65.6%) left to spend of the 2009 budget.** The expenditures target is to have 75.0% of budget left to spend (or 3/12ths). Keep in mind, some departments will be lower because of one-time charges made during January for expenditures such as pension and workers' compensation insurance, and the change in accounting classification methods. We all book two annual pension contribution payments(\$604K – 2008 & \$505K – 2007) because of the declining market value of the non-uniform pension. However, **last year we had disbursed \$11.12M, with 78.0% of the budget left to spend, after the first quarter. *That is a year over year increase of \$6.32M or 56% in spending!***

The ice storm has increased cost over a half million for debris pick up. Estimates for the debris pick up alone are over \$1.2M, based upon submitted invoices, not including the landfill cost. Fortunately, **most of this cost will be reimbursed by FEMA.**

As of March 31, 2009 **Capital Improvement expenditures and encumbered items total \$2.56M leaving \$7.69M left to spend.** Last year we spent \$1.6M through the first three months.

In the first quarter of 2009, the **Finance department processed 953 checks totaling \$13.6M total disbursed** from city bank accounts. The first 3 months of 2009, we processed 6 payrolls, with an employee average of 539 employees including part-time employees at \$854.9K per payroll. The gross payroll paid for these three months was \$5.129M!

PENSION FUNDS

As of March 31, 2009, the **Police Pension balance was \$9.9M, up \$328K** from December 31, 2008; an increase of 3.3%. The **Non-uniform Pension balance is \$4.66M, a decrease of \$128K or 2.7%** in asset value.

Springbrook Update

Reports:

Since the last update, Jack has been focused on solving the reporting issues per department request. **The major reporting issues (monthly financial reports) have been resolved.** However, some departments have some special requests for department specific reports. Jack has completed several requests thus far.

He is also working on putting together a training schedule for the departmental users. This training will teach users how to run these new reports. This month he is working with employees in the Finance Department to put together all the End of Month reports. The reports attached to this update are a result of the successful completion of the reporting issue mentioned above. These reports came directly out of Springbrook.

Previously, these reports would be put together by bits and pieces in several different spreadsheets, increasing the opportunity for error and generating more review work than necessary. **Now with a simple click of a button we have instant financial reports. Now we can focus on analysis of the information instead spending weeks just to create the reports!** This not only saves time but makes our End of Month process more efficient.

The report requests of Alexander, Thompson, & Arnold were given top priority. Jack has spent a great deal of time creating and providing reports upon their request. As of 4-15-09, they have all reports they have requested.

However, the big remaining project is implementing the chart of accounts changes. Once the changes are finalized, all the reports recently created will have to be tested for accuracy, both finance and other department staff trained on how to generate the reports and where the information comes from. For example, many of the accounts previously shown as revenue or expenditure accounts will be liability or asset accounts.

Every user of Springbrook will have to be trained on the impact of these changes on how they do their job. All reporting needs will need to be identified and documented so Jack can build a training planning.

In addition to the chart of account changes, **developing a comprehensive budget process with written procedures will need to become a top priority.** This will require a lot of work and coordination with all departments as each will input their own budget. The end result will get each manager better information and more control in managing expenditures.

Pending Issues:

We are down to only 3 pending Springbrook issues from an original list of two dozen. Currently we have:

- Slow software performance
- Remote timecard entry
- STEP monthly report update

The slow software performance issue is in **pending** status. Bill Jenkins, IT Director has completed his initial performance tests to help us identify the “bottlenecks” in performance. These **bottlenecks are due to the lack of optimization of the server** the software is installed on. This will require the server to be shut down so the process will be performed on a weekend that will be the least disruptive to the City.

We are attempting to determine where the bottlenecks are occurring and why they are occurring. This will allow us to determine which version of 6.07 (Version 6.07 upgrade allows for better performance and upgrades

to the Building Permits module) to install. As of 4-15-07 Springbrook is waiting on the City to reconfigure the Springbrook server. **Bill Jenkins has scheduled to reconfigure the server on 4-18-2009.**

There will also be a **Version 6.07 demo on 4-16-2009.** This demo will consist of all the changes that will be made during the upgrade. This issue will remain in pending status until completion of tasks stated above.

The remote timecard entry issue is in **waiting/testing** status. This is not really an "issue". It is more of a process implementation that we are currently working on with Springbrook. The software allows for remote timecard entry but the City's unconventional payroll process doesn't exactly fit the software. **We have to waiting on the completion of the chart of accounts changes from ATA,** which will significantly impact payroll accounting. **Furthermore, internal controls will need to be developed and written, especially in light of the recent IT and financial audit findings in that area.** We think that this will allow more flexibility within the software and the City's processes.

At this point Springbrook has tested the timecard entry in the IS department. We would **need to test this process in all departments of the City before final implementation,** to ensure no serious problems will result. Christy and Jack will continue to test the capabilities by adding larger departments to the test. Upon receiving and adoption of the chart of accounts, the Remote Timecard Entry should be ready for implementation, at least on the City Hall level.

The STEP monthly report issue has been resolved. This was a report that was created by a previous city employee. Changes needed to be made but *the creator of the report is no longer with the City.* Jack has been working with Springbrook to make the necessary changes to the report. The report was completed on 4-13-2009.

ATA(Alexander Thompson & Arnold) Update

Our consultants and auditors from ATA **will be in town April 27** to help finalize the Chart of Accounts project. Over the past few weeks, ATA has completed the following:

1. Reconciled all 15 of the City's bank accounts in 2008 to the GL (*general ledger/ "books"*).
2. Reconciled all 12 months of 2008's consolidated bank account deposits to the GL.
3. Completed a review of all 2008 accounts payable and accounts receivable GL accounts.

As agreed, ATA went back to the last properly reconciled balance, December 31, 2007, (Legislative Audit Report) and came forward to generate accurate fund balances.

They have the following items to complete which they figure to have done by April 24th:

1. Reconciled all the 2008 consolidated bank accounts withdrawal to the GL and outstanding checks list.
2. Reconciled all the 2009 consolidated bank accounts to the GL.
3. Reconciled all the 2009 individual bank accounts to the GL.

A small portion of the reconciliation work will not be completed until their on-site research is done. ATA has questions that we will have to answer regarding the history of certain transactions and outstanding checks must be research. *For example, they found that some of the checks on the outstanding check list were deleted from the reconciliation but **no journal entries were made** to recognize the cleared item on the books.*

In addition to this work, we have agreed the follow projects/work needs to be completed:

1. *The City will gather all of the 2009 bank statement information for ATA to complete the 2009 bank reconciliations review.*
2. *ATA will reconcile the switch from Bancorp South to Liberty to ensure all funds were accurately transferred and recommend adjustments if necessary.*
3. *ATA will recommend adjusting journal entries resulting from reconciliation of the 2008 bank accounts, if necessary, to correct prior period transactions that were not posted correctly.*
4. *ATA will recommend changes to the way expenditures are currently booked. We have asked them to review our Account Classification Manual and recommend changes. Once completed, we will present to all users of Springbrook so they know the correct account codes to put on requisitions and purchase orders.*
5. *The City's Finance Director will provide a list of accounting issues developed from past legislative audits, internal audit reports, outside audit reports and observations submitted by finance department staff. ATA will recommend the level of priorities based upon the City's goals to reduce accounting misclassifications and meet financial reporting needs of all department heads.*
6. *ATA will review the City's current, non-written accounting procedures, and recommend changes that will centralize accounting and reduce erroneous coding of expenditures and revenues.*
7. *ATA will help the City prepare for the upcoming Legislative Audit.*

Chart of Accounts Project

There are over 2,000 General Ledger accounts and 20 different funds currently. By the time we are through with this project, the total number the Chart of Accounts should be reduced by 10-15%. However, the primary goal is accurate classification of expenditures and revenues, and better accounting of grant activities so grant financial reports can be produced in Springbrook. Currently, each grant coordinator, manager or director has to do their own accounting which is not typical for municipalities. Most cities have the finance department produce the required financial reports and the grants managers produce the statistical reports. Furthermore, they will **help us set up the accounting codes** and help us comply with the requested change to modified accrual accounting.

Before the changes are implemented, **weeks of testing must be conducted in a "test database" to work out any unforeseen problems.** As mentioned above, significant training will need to take place among all users of the system so they will learn how the changes will impact their day to day duties and how the reports will change.