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# All Things Governmental (an FYI newsletter)

4th Quarter 2009

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Struggling to balance your budget? You are not alone. Tax revenues are decreasing for all governments in these current recessionary times. Many remember the cuts required in the last economic recession in 2001. In many cases it took three years for revenues to rebound to what they were prior to that recession. The current economy is in a worse economic situation now so it could take longer for the rebound to occur this time around. Governments have to adjust their costs and their budgets accordingly. In the prior newsletters we gave some ideas regarding forecasting cash and liquidity. In addition we discussed how budgeting is a continuous cycle of planning and evaluation to achieve the stated goals and objectives of the government. Employee furloughs and job cuts are becoming more and more common in Georgia's cities. A February 2009 Georgia Municipal Association (GMA) member survey found more than 1,000 municipal employees statewide had been laid off between August 2008 and February 2009.

While most cities and counties have had to take a harder stance on fuel and electric consumption, purchases of supplies and other day to day activities, many have been faced with more extreme cuts such as eliminating raises, reducing pension contributions, cutting services and eyeing tax increases in the face of declining revenue.

### Managing Costs

In this newsletter, we indicated that careful review of overtime may be needed. A freeze on filing vacant positions may also be required. Another useful tactic may require involving the government's major vendors. You may inquire whether contracts with them can be lowered or at least kept the same if in turn the government negotiates a longer term to the contract. Constant review of these services as well as revenue streams is imperative. If revenues drop a particular month, expenditures may need to be held if non-essential.

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## Lean Times Call For Lean Budgeting (continued from page 1)



### Engaging Residents

In a recent article published by GMA they stated Duluth decided to form a citizens' budget committee when it saw a looming \$4 million revenue shortfall.

City Administrator Phil McLemore came up with the citizens' budget committee idea. "We figured the best way for residents to understand where we are is to have them involved in the process."

As the committee completed its work, Duluth received specific guidance from residents on what moves the city should make to balance the

budget. City Administrator Phil McLemore said residents:

- Gave the city a list of ideas on generating more revenue (suggestions included a technology user fee, court service cost fee and city event and concert fee);
- Voted on which revenue ideas they would support and which they would not;
- Established a minimum balance for the city reserves after which they would support a tax millage increase;
- Made it clear that they would prefer a tax millage increase over a reduction of services if other methods on balancing the budget failed; and
- Agreed to a specific list of items to achieve a balanced operating budget

While a shortfall is still anticipated, McLemore said the council is reviewing the residents' suggestions as it prepares to adopt its FY 2010 budget.

### David Hilliard, CPA - Partner



David is the Firm's Managing Partner. David received a B.B.A. in Accounting from Augusta College.

David has a diverse background in audit and taxation as well as small business consulting. David devotes much of his time to strategic planning, tax consultation and preparation and financial analysis. He has assisted small

business in wealth management, succession planning and finance package preparation for 20+ years. In addition, David has a diverse background in consulting for governmental and non-profit clients including control development, evaluation and other procedures.

David is a member of the Georgia Society of Certified Public Accountants, Inc. – Member; American Institute of Certified Public Accountants – Member

## Accounting for Accounts Receivable



To ensure sound financial management practices, proper controls over revenues are imperative in accounts receivable management and general oversight over the various

revenues collected. Sometimes governments bill for services provided or levy taxes. This generates the need to set up accounts receivables and thereafter, a process to collect these receivables. It is incumbent on management to ensure proper controls exist over these receivables.

**The Government Finance Officers Association (GFOA)** recommends the inclusion of accounts receivable controls and policy statements as part of a revenue control and management policy. When formulating accounts receivable controls, it is imperative that such controls abide by generally accepted accounting procedures (GAAP), local ordinances, and state laws. The following factors, as applicable, should be considered in the development of accounts receivable controls in a revenue control and management policy:

- **Internal Controls** - All aspects of revenue recording and accounts receivable monitoring should be subject to proper internal controls. Management should establish standard internal controls that are properly documented and followed by affected department(s) generating the receivable, receipting the payment, and perform-

ing collection activities on delinquent accounts.

- **Billing Practices** – Bills should be initiated following established procedures, recorded in an accounts receivable system and generated within an established time period after initial service delivery.

- **Deposits** - Collections should be recorded in an accounts receivable system and deposited timely. Due to the special nature of funds received from grants, developers, partners and other entities, consider if separate procedures should be established for recording and depositing these funds.

- **Returned Checks** - There should be established procedures for processing and collection of returned checks.

- **Accounts Receivable Management** - All accounts receivable should be recorded in a manner to permit aging analysis. Review all collection options available and establish procedures to maximize collections. When cost effective, consider utilization of collection agencies that are familiar with all federal, state, and local notice requirements and regulations.

- **Bad Debt Expense** - Bad debt expense should be estimated based upon a documented method of calculation. An allowance for doubtful accounts should be recorded. Write-offs should be performed periodically to ensure that accounts receivable and allowance balances are not overstated. Efforts should be made to pursue the timely collection of delinquent accounts.



## Overtime Making You Over Budget?

Overtime is the amount of time someone works beyond the normal working hours established by legislation or custom. A common approach to regulating overtime is to require employers to pay workers at a higher hourly rate for the hours put in over the normal working hours.

In many cases overtime costs to an entity are overlooked and not properly managed leading to excessive costs. In order to properly manage overtime costs, managers should determine the ratio of overtime to regular wages. A determination should be made as to overtime demands are seasonal in nature or occur predominately in one department. Overtime trends can then be managed to increase the effectiveness of its use.

Department managers should ask the following questions in determining the need for overtime scheduling

- Is it possible that overtime can be reduced or even eliminated through different scheduling patterns?
- Can the use of part-time personnel take the place of overtime pay at a reduced rate?
- Is excessive overtime being accumulated by a few employees or is there particular projects requiring overtime in excess of others?
- Can the projects requiring majority of the overtime benefit from a different approach?

The Government Finance Officers Association has issued some recommended practices in dealing with overtime as follows:

*Make managers manage overtime – for example, in one Midwestern county all overtime must be drawn from a central account that is shared by all departments, rather than each department having its own account. Managers must provide justification when they want to draw funds from the central account. This makes overtime spending much more conspicuous than it would otherwise be and creates pressure for organizations to manage their overtime.*



- *Personnel are often the largest area of expenditure, so there may be significant savings in overtime.*
- *Controlling overtime can reduce salary costs without adversely impacting those employees that don't accrue significant overtime.*
- *Looking at comparable agencies and reviewing scheduling practices may provide suggestions for changes to reduce overtime.*
- *If overtime is a structural reality and reflects need for staffing, consider whether a full-time, benefitted position or two full-time non-benefitted positions may better fulfill the service demand.*

## Georgia Transportation Infrastructure Bank

The Georgia Transportation Infrastructure Bank (GTIB), established by House Bill 1019 in April 2008, allows Georgia communities to apply for low-interest loans and/or grants to help in the financing of local transportation projects.

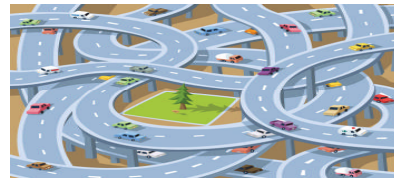


The GTIB will function much like a bank, by providing loans to state, regional or local governmental entities. All phases of construction for roads, bridges, transit vehicles and facilities, bicycle & pedestrian facilities, rail and airports would be eligible. Ongoing maintenance would not be covered. The GTIB was modeled after those in 32 other states and serves to add transportation and economic value to the state.”

The Georgia State Road & Tollway Authority (SRTA) will manage the GTIB. GTIB loan and grant procedures including application, guidelines and terms and interest rates are available on the SRTA website [www.georgiatolls.com](http://www.georgiatolls.com).

Individual projects selected for funding must provide for the promotion of economic development.

The initial capitalization of the STIB included \$33.1 million in loans and \$10 million in grants. The STIB will provide low interest rate loans and flexible repayment terms. As a revolving loan fund, dollars that are paid back will continually be made available for new transportation projects



Applicants may also email [GTIBinfo@georgiatolls.com](mailto:GTIBinfo@georgiatolls.com) with questions

## Georgia Transportation Sales Tax? (Maybe)

Leadership in the state House of Representatives and the Senate have been working on coming up with a way to fund the State’s transportation needs. A compromise deal may be close to being a reality. The current plan is for a new transportation sales tax that would give road construction the boost Georgia leaders say it needs.

Transportation is needed to continue economic growth, especially in areas where traffic often

stays in gridlock. The compromise deal would serve to merge the competing House and Senate plans. As part of the plan, Georgia voters would have to approve a new half-penny sales tax to fund projects statewide. In addition, individual counties or a group of counties working together could also charge a half-penny for certain regional projects if approved in a separate vote by voters in those areas.

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## Expertise, Peace of Mind. Courtesy of Hilliard & Milton, LLC

Our involvement with the community, our personal touch, and our passion for excellence are important aspects of our firm as we strive to help our clients succeed. Our focus is and always has been on the success and potential of our clients and team. Our success is dependent on us applying a high level of technical skills combined with industry knowledge, and a sincere commitment to personal relationships.



Our firm takes all appropriate measures to ensure compliance with all areas of governmental accounting, auditing and consulting through our training and development of our team involved in our governmental practice. Our firm has a long history of audit excellence achieved in our audits of governmental entities through our responsiveness, our knowledgeable team and our timely approach to the services we provide. We pledge to continue that same commitment to governmental entities in the future.

Our experienced, knowledgeable team is ready and waiting to provide you with incomparable personalized service, whether you need it on a temporary or ongoing basis.

To effectively manage financial affairs, you need three things: extensive knowledge, meticulous organization, and constant vigilance. Hilliard & Milton, LLC provides all that and more, thanks to

a complete range of consulting and advisory services to help you sort through the complexities of today's financial reporting.

### Our governmental services include:

- Financial audits, compilations and reviews
- Internal control reviews/recommended practices
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- Corrective Action Plans
- Rpt of Local Government Finances preparation
- Grant Certification compliance
- Bond issuance services and compliance
- Audits of SPLOST revenues and expenditures
- Agreed-upon procedures
- Operational reviews and consulting
- Direct or Indirect Cost Allocation Plans
- Budgetary analysis and preparation
- Capital asset accounting and reporting
- Arbitrage tax information
- Payroll tax services
- Retirement plans
- Financial forecasting services
- Computer software and systems
- Financial planning and cash flow management
- Risk assessments
- Education and training

We view our relationships with our clients as ongoing partnerships, and we pledge to provide you with quality, up-to-date service and advice, whatever your entity's needs. We can specifically tailor our services to meet the individual needs of your entity.

## Georgia Transportation Sales Tax? (Maybe) continued from page 5)



Gov. Sonny Perdue proposed this concept during the last legislative session, according to his

office. Perdue's communications director Bert Brantley has been quoted as saying "So, while

discussions are certainly continuing on transportation funding, our focus right now is on completing the transportation plan, which will lay the foundation for Georgians to clearly understand what value we could receive from any additional resources".

The Legislature goes back into session in January where the funding to provide adequate resources for Georgia's current and future needs is certain to be heavily debated.

## Citizen Involved Budgeting

Have you carefully prepared a proposed budget which addresses the key goals of your entity in anticipation of a lively give-and-take with the county board or city council and residents only to discover the reality that no one has shown up? Many governmental entities, even those with large budgets to discuss often find themselves taking complaints on seemingly unimportant issues. Citizen budgeting participation is rarely exceptional. The importance of budgeting is often overlooked by citizens. However, a sound budget is essential to the credibility and viability of the public-sector and can serve to instill confidence in government overall. In today's economic times, citizen input and discussion can

be even more imperative than ever.

The number of tools available to engage the public continues to grow through the use of public hearings, surveys, focus groups and web-based budget-simulation exercises. Community meetings can be used to determine what citizens want out of government at the front end, before a budget had been drafted. The concept of soliciting input before budgets are written can be very simple and yet can be absolutely essential to the credibility of efforts to engage citizens.

Many governments need and want citizen input, but don't know how to get it. A limiting

factor is engaging citizens takes money and staff time. Another is many elected officials seem perfectly happy to leave citizens out of the process. A budgeting process which takes into account citizen priorities and measures progress toward those priorities while getting the best value for each tax dollar can be very useful.

Community education is also important because many people really don't understand what things cost and the trade-offs required when you start talking about how to balance revenues and service demands.





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**Constitutional Q & A**

**Q:** 90% of all nations in the U.N. have sustained a violent change in their government in the 20th century. Why do you think our Republic has lasted for over 200 years?

**A:** We have the most frequent and numerous elections in the world, and can change our Representatives through elections, making revolutions unnecessary.

**A:** Executive, legislative, and judicial.

**Q:** How old must a person be to become president of the United States?

**A:** 35 years old (Article 1, Section 1, Clause 5).

**Q:** On what day does a new President take office?

**A:** January 20th (Amendment 20).

**Q:** How long is the President's term in office?

**A:** 4 years (Article 1, Section 1, Clause 1).

**Q:** How many days does a president have to either sign or return a bill before it becomes law?

**A:** 10 days (Sundays exempted) (Article 1, Section 7, Clause 2).

**Q:** How many amendments are contained in the Bill of Rights?

**A:** Ten.

**Q:** Why can members of Congress not be questioned for anything they may say on the floor or in committee?

**A:** To ensure complete freedom.



**Q:** What are the three branches of government?