

January 20, 2026

Financial Update

Discovery and remedy

- Week one: it was brought to my attention there was an Internal Revenue Service (IRS) levy of \$82,285.82 due to discrepancies with the quarterly 941 reports and payments to the IRS.
 - Thanks to Council Member Mary Keys, the corrections are taking place, and the City expects to receive future reimbursements.
- On December 29, 2025, a letter came to notify that total wages reported to the IRS and Social Security Administration for the year 2024 were not equal. This will need corrective action.
- The trial balance and general ledger reports have been provided to Mike Ward, CPA for review and fiscal year 2025 audit report. **It is crucial that the audit is adopted by March 31, 2026.** If not, property tax increases may not be approved per the 89th legislative session.
- The City was experiencing cash flow shortages upon my arrival. After meeting with Mike Ward, CPA, we took measures to improve cash flow of unrestricted reserve balances.
 - Cash flow is improving but it is crucial that the plan and report are considered, and spending controls remain in place.
- Sales tax revenue is trending in a positive direction. Please see the sales tax report.
- Payroll deduction codes are being corrected.
 - The Health Savings Account was corrected the first payroll of 2026 from post to pretax.
 - The Cafeteria Plan will be corrected next since it should be exempt from FICA.
 - Any others in the future should be reviewed and corrected if needed.
- It was realized that the Texas Sales taxes were reported and not paid in October due to a letter received by the state.
 - The reports were caught up and paid, including one month of delinquent penalty for the month of October.
- Accounting and coding reviews started with some adjustments and many future reviews recommended.
- A debt service report has been updated. Please see the report.
- Increased organization, filing and processes are being updated and implemented.
- Delinquent payments for refuse roll offs are being caught up and fully paid.

- All cash and investments with the exception of the current comingled disbursement account are reconciled and up to date. Please see the report as of September 30, 2026.

Ongoing and/or needed

- I would like to be able to focus on basic finance and accounting functions.
- Target savings goal is best practice guidance from the Government Finance Officers Association suggests maintaining a minimum of two months of General Fund operating reserves. Based on the adopted budget, this equates to approximately \$662,722.
- Consider and possibly implement hotel occupancy tax (HOT) internally.
- Get October to December 2025 disbursement fund checking accounts reconciled.
- Consider helping to revise personnel handbook if desired.
- I recommend an amendment to the current budget.
- Future monthly financial reports should be delivered.
- Continue to audit and resolve utility billing.
- Reconcile all line items in current fiscal year.
- Meet the W2, 1099 and 1095 deadlines.
- Audit all payroll deductions and correct if necessary.
- Continue to review and implement measures for function and sustainability including an update to the plan I delivered on November 18, 2025.
- Audit all revenue streams and recommend improvements.
- Develop a system to invoice all agreements timely.
- Review the Fair Labor Standards Act with new full-time fire department employees.
- Continue to monitor daily cash and transactions.
- Provide Franklin County with quarterly financial reports.
- Determine if the safe deposit box is needed and what the contents are. This will require locating the key or the bank drilling.
- Court collections and procedures can be reviewed.
- Review permitting processes.
- When future funds allow, the city should utilize a consulting firm to conduct the RFA for bank depository services.