

**CITY OF KREBS
SPECIAL CITY COUNCIL MEETING
MINUTES
MAY 13, 2025**

1. MEETING CALLED TO ORDER by Mayor Tommy Ray Walker

- 2. ROLL CALL** by Cindy J. Cooper, City Clerk
Larry Coxsey- absent, Chuck Nelms- present, Mayor Tommy Ray Walker- present
Dan Heathcock- present Sherry DeFrange- present,

3. DISCUSS THE CITY OF KREBS 2025-2026 FISCAL YEAR BUDGET

Mike Kern talks about his old (last year) contract because “we have new people, they’re not aware of everything and I just want to make the aware of some things” This is the contract that we have enforced with the city right now for your information. Several of the people are new. You're fairly new, (referring to Cindy) but Micheal, Sherry, and Larry are new. One of the things I want to point out, first of all, the city has two entities, okay? The city entity is a municipality and it's governed by the Title 11 trusts or Title 11 state statutes. The KUA is what's called a Title 60 trust, and it's covered by the state statutes of 60. You have two different businesses here and that's why we have two engagement letters in the actual engagement letter on that front page there. This is like I say, this is what we have to present to you and we have to do this because CPA ethics and because our professional liability insurance company says we have to do this. We have to say exactly what we're doing and exactly what the city has to do, okay? We will provide you with the following bookkeeping services, monthly and quarterly record, cash receipts, income from your daily cash reports and or your bank deposits, et cetera. Reconcile bank statements, post earnings, okay? We will prepare the financial statements of the city and I want to place a lot of emphasis here. This contract is between my company and the council. Okay? The council has the authority to do all this for the city. I want to make a special emphasis on these financial statements are prepared on what's called a cash basis, and that's what the estimate of needs is based on is the cash, okay? Y'all may have heard about accounting and accrual and all that. We don't do that. We don't need to look at a payable. Your system is not set up to do payables and your system is not set up to do receivables. We just cash in, cash out. Okay? That's very important because there's a couple other things I'm going to talk about here. Over there on page two, we are not required too and will not verify the accuracy or completeness of the information you will provide us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, conclusion, or provide any assurance on the financial statements. Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrong doing within the entity or non-compliance with laws and regulations. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities since performing these procedures or taking such action would impair our independence. Okay? Now what the city is supposed to do, the city has to select the basis of accounting. We already talked that we're going to do cash basis. We always have, always will. And then they need to design and have implementation and maintain and maintenance of internal control relevant to the preparation in fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, the city is responsible for the prevention and

detection of fraud. Okay? There are some other things. I just wanted to point those issues out to you. And over there on page three, and this is for the city only, okay? Other relevant information, budget preparation to include preparation of the estimate of needs. We've talked about that. That's the form that the city or the state auditor has asked for, and we're going to do that this year. I have those forms for the previous years, but this council, I don't think you want to sign off on somebody's prior year budget. I just don't think that's what you're going to do

Chuck Nelms Was that ever presented to those previous counsels to be signed off on?

Mike Kern, the budget was approved, but the estimate of needs was not presented to them. No, it was not.

Chuck Nelms so they couldn't have signed off if it was never presented to them.

Mike Kern, that's correct. That is correct. And the reason I didn't do that was, and I take full responsibility for this, the county, usually we turn in the estimate needs to the county. We turn in three copies. And the reason we do that is because if the city has any judgment or bond issues, the county has to put that on the rolls for the real estate taxes. Well, we don't have any, so there's no reason to send them the budget. And so that's why I didn't do it. Okay. I've done that for the last 15 years and I mean if they want to throw me in jail, have at it, it just makes sense. But we're going to do it this year because that's what we need to do. Okay?

Dan Heathcock, because it's required, right?

Mike Kern, not really. Okay. But the state auditor calls for you do it.

Sherry DeFrange, it's like taking responsibility for it basically.

Mike Kern, yeah, yeah, see, the thing is I feel very comfortable. All these past counsels have approved a budget and that's the information that does go on the needs. They've approved the budgets, just they didn't sign that form because I did not present it. It's not against them, it's mine.

Chuck Nelms, you just never sent it to the state auditor, right? Bottom line is you do a budget, correct me if I'm wrong here. You do a budget; you can only budget 90% of your total revenue. So basically, if you submitted that to the state and you budgeted 95%, then you've got an issue, right?

Mike Kern, yeah. I don't know what they would do to you though. I mean, what are they going to do? But the point is we will do it this time, no problem. But like I said, and I've done that with all my towns, so you guys aren't the only ones. I don't turn them in because they don't have any judgments or bond issues. Outstanding. The county doesn't keep a copy. And like I said, that's on me and I'll tell the state auditor that and, they can do what they want. Talking about this, and please do ask any questions. I mean that's the only way, but that's the reason we're talking about this because you all, well, you've been around some, you've seen some of this, but Michael hadn't been here, Sherry hadn't been here.

So anyway, we're going to prepare the estimate of needs. And again, that's on a cash basis. We don't have accounts receivables or accounts payables on the estimate of needs. It's basically built with your ending cash balance plus 90% of your revenues. That's the grand total of the budget. And then we appropriate that budget into the different line items, into the different departments, into the basic three expense categories, personnel, M&O and capital. And what's a little bit confusing, and I understand why it is, but when you budget your capital, that's different than where you're going to fund that capital. And we'll get into that in just a minute because the police cars are an example in the past, we've always budgeted those for capital like we should and they're included in the capital improvement part of the budget, but it still has to be part of the grand total budget. So, like I say, that's a little confusing, but I keep track of all that. So, okay, the budget, this will include two special meetings. Any additional special budget meetings will be billed separately. One thing I do want to bring out, and this hasn't come up very much, but just in case any worker meetings requested that are not covered in this engagement letter will be billed separately at our standard rate. My standard rate is \$175. But let me tell you something that you probably, I don't know

whether you know it or not. When I sold my company 12 years ago to a regional firm out of Tulsa, they billed me at \$176 twelve years ago. I haven't raised my rates. I tell you what, we were just looking at some information from the state of New Jersey. Know what CPAs charge up there, \$500 an hour. With my experience, we're not going to approach that. Not at all. Okay. This engagement letter, this was for the city. We do have the engagement letter for the KUA similar thing. The only difference there is the Public Works authority does not have a requirement for a budget. We do that budget for management purposes and that's what we should do. The reason I brought up the deal about the difference between the city and the Public Works authority, the city being a Title 11 and the public trust being a Title 60, a Title 11, like our capital improvement, the citizens of Krebs voted to have that sales tax split and part of it, a third of it goes into the capital improvement account and the citizens voted. So, you have to do it. Now, the difference being, if you were as board of trustees for the public works authority, you can incur debt for the utility. You've heard about the Department of Agriculture, USDA and rural development building water plants and everything, and that's where the city, the public trust incurs that debt and the trustees vote that in. So that's the big difference between a municipality and a Title 60 trust. Let's talk about, we need to start talking about the budget. We

Chuck Nelms, can I ask a question on your contract here? Basically, I think you probably just answered it when you were reading the city's responsibilities, so basically the financial statement that you provide each month that we go over in the council meeting is basically only the numbers that was given to you from the city. There's no checks and balances, whether that's a real number or a made-up number. Correct?

Mike Kern I balance it to the bank statement. The numbers that the city gives me agrees to the bank statements. I do a bank reconciliation as to the numbers they do give me. It's based on our bank statements, the amount of money that we have in the cash balances and the income categories and all that. The daily cash reports tie into the bank statements so that the different, well, the sales tax comes in automatically into the bank statement. That doesn't even come from the city. But the court account where all the fines are paid, those are all deposited by the police department over there and I don't, no, I don't check those.

Chuck Nelms, So, basically what they take to the bank and deposit is what they want to take to the bank. There's no checks and balances to make

Mike Kern, I am not giving you any assurance as to whether they put money in their pocket or not.

Chuck Nelms, we've got a lot of holes in ours, just like a prime example of, we adjusted a water bill on a guy and it didn't go through the council to do it. So, there's no tracking of whether you've done that or not.

Mike Kern, that's correct. As far as your hours, whether somebody's validating or not supposed to be getting overtime, what those hours are really being worked versus being done. There needs to be checks and balances where there's more than one person responsible?

Mike Kern, Absolutely, absolutely. Those kinds of tests are run by the auditor. They do test based on payroll- *interrupted*

Chuck Nelms, but that ain't been done since what, 22 isn't that what we're saying?

Cindy Cooper, 22 hasn't been done.

Chuck Nelms, so yeah, so we don't know anything as far as that.

Mike Kern, you have to address the auditor. I don't do that.

Dan Heathcock, the sales tax and stuff that we don't see what's coming in.

Chuck Nelms, sales tax is deposited directly,

Mike Kern, correct. Yes.

Dan Heathcock, but we don't have any idea where that ties into our financial statement?

Mike Kern, yes, I balance it into the bank statement.

Dan Heathcock, but we don't see the report of that.

Mike Kern, yeah

Dan Heathcock, do you have it every month?

Mike Kern, yeah, the financial statements that we put together are based on the information that comes through the bank statement.

Chuck Nelms, okay. So let me throw another at you. So, you, we've got several things that's been done that allocate monies to different areas,

Mike Kern, correct?

Chuck Nelms, the capital outlay sales tax, the hotel motel tax, the administration,

Mike Kern, the hotel tax comes through the bank statement and it's automatically classified,

Chuck Nelms, but it has to be used for that purpose.

Mike Kern, correct?

Chuck Nelms, same way *inaudible* has to be?

Mike Kern, Yeah, it has to be deposited into the motel account. Yes.

Chuck Nelms, and then you've got ordinance that you've done for your administrative, for training, your IT fund, your car fund. Those are allocated monies

Mike Kern, yes correct.

Chuck Nelms, those are allocated monies that evidently, I'm thinking aren't going where they're supposed to go.

Mike Kern, well again, I'm only reporting what's given to me.

Micheal Fulgum, treasurer, I get a report at the end of every month from Nancy. She gives me a report and it down, whatever's been the ticket's paid. And it'll tell me at the report how much I need to transfer to the IT fund, to the police car fund, to the training fund. When I get that report, that's when I transfer the money. And I just learned that two months ago.

Chuck Nelms, so has it been done?

Micheal Fulgum, it has been, I've started to do it since I learned about it.

Mike Kern, there's some that there's a lot of money that has not been transferred over to the capital improvement account. And what I'm planning on doing at the end of the June statements is reconciling, I'd call it reconciling the transfers that are supposed to have been made versus what's been made. Because on the sales tax that comes in, like I said, a third of it goes to the capital improvement. Well, I code that and put it on the financial statements. Well, if that money doesn't show up in the cash account, then we need to transfer and there's some transfers that we haven't made and one thing we're going to have to talk about, and it's real critical, there's so much that has not been transferred over there. The general fund can't fund it. You're going to have to- *interrupted*.

Chuck Nelms, that's misappropriation of funds!

Mike Kern, no, that's not misappropriation of funds.

Chuck Nelms, how's it not?

Mike Kern, you haven't done anything. You haven't appropriated that money.

Chuck Nelms, you've got an ordinance that says that money has to go in this for this use. If you're not using it for that, you're misappropriating.

Mike Kern, it's not been well, you're caught telling on yourself.

Chuck Nelms Exactly. Why?

Mike Kern, I can't tell you to do that. That's not my job.

Dan Heathcock, you report of all the transfers and things we don't see in our monthly report

Micheal Fulgum, I print off every time I transfer the money, I print off my transfer sheet and I put it in with...

Dan Heathcock, will we start getting a report of that.

Mike Kern, in the past Kay always did the transfers then I booked the transfers, but I have no authority to tell her...

Dan Heathcock, that helps us know what's going on.

Mike Kern, yes, it's supposed to be done, but I have no authority to tell her.

Cindy Cooper, it hasn't been done since she was fired because nobody here knew to do it.

Chuck Nelms, it's just like the estimate of needs just because we did it wrong before, don't mean, we need to keep doing.

Mike Kern, but the estimate that doesn't, that's not covered in the estimate of needs transfer,

Chuck Nelms, but it's still the same thing. We're not doing something right. We can't go back and fix all that other, but we can start doing it right now.

Mike Kern, well, we can fix a lot of that and what I'm telling you is you have CDs that are unrestricted right now. Okay. What I need to express to you all is you probably should, like you say to cover misappropriation of funds, if you want to call it that, you need to cash those CDs and put that money into the capital improvement account to cover for those transfers.

Tommy Walker, all the CDs, you talking about all the CDs?

Mike Kern, great majority of them.

Mayor Walker, how did we get to that point? Where did the money go?

Chuck Nelms, if we brought the money in, we just didn't transfer. Where's it at?

Mayor Walker, it's got to be somewhere.

Mike Kern, it's all spent on everything else

Chuck Nelms, that's misappropriation.

Mike Kerns, No, it's not. It's not because you've appropriated a hundred thousand dollars in an account and if you only spent 50, where's the misappropriation? That's not misappropriation,

Chuck Nelms, but you can't put that money in there. Those accounts that don't have haven't been transferred. We don't have the money to put in there.

Mike Kern, yes, you do have the money, you have it in the CD's

Chuck Nelms, so how has our spending been so out of control that we've got to that point?

Mike Kern, your spending's not out of control. The problem is there's more money being allocated to those capital accounts. The capital improvement account, the IT fund account and those other funds, those funds were supposed to be transferred over, yes, but again, going back to the appropriations, you haven't spent more than your appropriations.

Sherry DeFrange, if it changed after Kay left, who set Kay up, how did Kay have the knowledge to know how to set everything up.

Tommy Walker, 15 years.

Mike Kern, all I can tell you is

Chuck Nelms, she was here when it was passed and made the account and transferred to it.

Mike Kern, the problem is, the problem is there's actually more money that is, you're on the right track. It wouldn't be classified as misappropriation of funds because like I said, you've got the appropriations that's on your budget and you haven't spent more than that's been appropriated. It's just you haven't transferred money within accounts.

Chuck Nelms, but wasn't that money taken in that if it was moved it would've been there?

Mike Kern, you can't say what if and what it would be. You can't do that.

Mayor Walker, it's got to be somewhere.

Mike Kern, it went into the general fund and it got spent.

Chuck Nelms, theoretically if it would've been transferred each month, there wouldn't have been enough money in general fund to operate?

Mike Kern, correct. That's where you're getting to. That's the point I'm trying to make.

Chuck Nelms that it should have been is hey, hit the brakes.

Mike Kerns, that's part of the budget process now that we're going to have to work on is there's so much money that that's what I'm saying. I'm going to reconcile at the end of June how much money needs to be put into this capital improvement account, into the IT fund, into the training fund.

Chuck Nelms, June 30th, we're going to have exact numbers at the end of the year of what needs to go and what fund and we're going to make that happen.

Mike Kern, yes, I'm going to prepare that for you, but again, like I say, keep in mind what's going to have to happen is you're going to have to cash those CDs and put them in the capital improvement account and there's nothing wrong with that. It's still cash,

Chuck Nelms, right? But it still looks to me like we've overspent to where we shouldn't.

Mike Kern, I understand what you're saying, but you technically haven't overspent because you haven't spent more than you've had on your budget you just had it in the wrong place. Yes, I totally agree with you and we got some soul searching to do about that budget because well, we're going to go over some of it right now.

Dan Heathcock are the CD accounts like a savings account similar. So those accounts are just sitting there raising money and they haven't been spent or nothing, but now we've got to spend them because we're short. Is that what you saying?

Mike Kern you got to transfer them over into the capital improvement account because that's where they should have been.

Tommy Walker, where'd the money go? I'm like Chuck, where'd the money go? Some place. Do we need to do an audit to find out where it went? I mean there got to be a record where the money went somewhere.

Mike Kern, there's records where all the money's been spent. That's all. You're not understanding

Chuck Nelms, probably PO'S showing where they went.

Mike Kern, yes, exactly. All your internal control that I was talking about there. The city is responsible for that, and you do have a purchase order system. I'm not here to audit you. Again, that's not covered in the work I do for you all. You've got a purchase order system and you've got internal controls and as long as you don't spend more than what's been appropriate in those line items, you haven't done anything wrong.

Dan Heathcock, so why do we have the CDs to begin with?

Mike Kern, you had extra money, you put them in there, and try to make interest.

Sherry DeFrange, can the city use bank first? It has the pay 3% on a checking account? Can the city use city bank accounts like that?

Mike Kern, the council can decide where to put money. Yeah, because they pay 3% checking.

Mayor Walker, if you leave it in there so long,

Sherry DeFrange, no, as long as it's in there it's 3%

Mike Kern, thing is, like I said, you've got money in CDs right now and the reason you put them in the CDs is you did have extra money in the general fund at the time, so you put it in there and the CDs pay more than the savings account normally. But now we're going to have to take that money and transfer so we've, we've got to cash those CDs and put that money into the capital improvements. Like I said, I'm going to give you a full reconciliation of that at the end of June because we want to look at the whole year.

Dan Heathcock, what's this Mick Dotson guy going to do from the state officer's office? Is he going to come audit our...

Mike Kern, he's not going to come audit. He just wanted copies of estimate of needs. The key that he doesn't say there is he wants them signed. And I'm sorry, like I said, that part is on me. I have no....

Chuck Nelms, we don't even beat a dead horse. It's happened. We just need to fix it from this point.

Mike Kern, that's the point. One of the big points I'm making, Chuck, is whenever we go to do this budget, we are going to have an issue as to the difference between what you've got in your capital accounts versus your operating accounts. Okay. It's going to be difficult.

Tommy Walker, why can't we do a little bit of budget cutting, cut back on all this?

Mike Kern, you can cut back anything you want.

Mayor Walker, we're going to have to somewhere along the line. all them CD's ain't going to cover forever.

Mike Kern, you've got enough to make the transfers good for the capital improvements.

Mayor Walker, something big happens and we ain't got no extra money. We need to quit spending money,

Dan Heathcock, we're still not going to get an audit done? You're just going reconcile what the bank statements say.

Mike Kern, I don't do the audits.

Chuck Nelms, because he just reconciles what they sent him that they deposit each day.

Dan Heathcock, right. I understand.

Mike Kern, like I said, every month, whenever we get the sales tax from the state, I break that down. One third is supposed to go to capital improvement, two thirds goes to the general fund and we just haven't transferred that money. We spent it on other things, but we haven't overspent. It's a little bit hard to understand, but we have not overspent it. It just hasn't been transferred properly. That could have caused us to have a shortage somewhere else. And you would have to look hard at your purchase order system.

Dan Heathcock, well, in my opinion, we never have received a complete enough report from our treasurer's office to where we can see what's going on with our finances.

Chuck Nelms, that's what I'm saying. That's the whole thing. I'm saying there's no checks and balances. All he's doing is telling us what went to the bank. There's nothing that says nobody done anything else.

Dan Heathcock, so if we can start receiving that report now, that'll help us.

Chuck Nelms, (ask Micheal) Can you do Cindy's job? Okay. That's a problem. Cindy, can you do his job?

Cindy Cooper, not all.

Chuck Nelms, that's a problem. Everybody crosses everybody's job so that somebody, there's some checks and bounds that you're doing your job right and that you're doing your job and that Jayme's doing. I'm going to just use Jayme as an example. Don't get me wrong here. I'm not accusing of nothing. But for example, if you don't know how Jayme does her job, if she sits there and takes a payment and she gets a late payment of \$50 and it don't get entered on there, nobody knows nothing.

Cindy Cooper, I agree. I 100% agree

Chuck Nelms, that balance goes back the other way. If there's a check there to ensure you can't accuse them, not only do you catch them, you can't accuse them of it. It protects at the same time that it convicts.

Mike Kern, that's right. The cross-training should be, and there again, that's why I went over this letter. That's all we are supposed to do. We are not. You guys have not...

Chuck Nelms, that's what I was afraid of with I was...

Mike Kern, yeah, I understand what you're saying. Yeah. Well,

Chuck Nelms, you're just giving the numbers that you are given. There's no way of knowing.

Mike Kern, correct.

Chuck Nelms and the sad thing is the water bills kind of where it comes up and then with these monies not being moved, that's where it's like there's no check to make sure. We didn't know it until this month that it ain't been done since August.

Mike Kern, well, part of that, but not,

Cindy Cooper, (ask Mike Kern) you can't see if they've been moved? You can't see if the tax money's been moved into those accounts?

Mike Kern, it's not been.

Cindy Cooper, I know, but you can see that, that it has not been?

Mike Kern, Oh yeah.

Cindy Cooper, okay.

Chuck Nelms, but that's what I mean though. The record keeping is so flawed. We had no clue till several months ago that it ain't been done since August. Not that August. You didn't know.

Micheal Fulgium, I didn't know.

Chuck Nelms, you didn't know, but there was no flag to say, hey, why ain't this getting done? Yeah.

Dan Heathcock, the councils never got a complete report enough to.

Mike Kern, that's exactly why at the end of June, I'm going to do the reconciliation for you for those accounts,

Chuck Nelms, but we need to fix that to where we've got some internal controls that are broke.

Mike Kern, yes. What's going to have to happen though is like I say, we're going to have to think really hard about this because like I said, and I don't have all the numbers yet because I got to wait until the end of the year

Chuck Nelms, and that makes sense doing it. Just go ahead and finish out June 30th, then we can see where we are. Let's do it one time. Get it right, be done.

Mike Kern, exactly what we're going to do.

Sherry DeFrange, set up an accounting system

Chuck Nelms, that needs to be worked on.

Mike Kern, you have an accounting system.

Chuck Nelms, there needs to be some checks on

Mike Kern, a lot of this has to do with training and when you hire somebody, they just go in and learn what they can. I'm sorry.

Chuck Nelms, yeah. Your OJT was like,

Mayor Walker, you remember when they had the checks and balances several years ago? What happened when the money disappeared and the treasurer and the city clerk were checking balances each other. They found out even though he had checks and balances, they still get away with it.

Chuck Nelms, the problem was I think they wasn't good enough then and I don't think they've got any better now.

Dan Heathcock, if the council is giving better records every month, then that would help us.

Chuck Nelms, they had a petty cash box.

Sherry DeFrange, do we need an accountant to help us set up an accounting system to where it's

Mike Kern, theoretically usually the auditor makes recommendations. Makes recommendations about your internal normally. Okay. And his recommendation may be that you hire somebody to help you set that up, and this is one of the points I'm trying to make. If you hire somebody to do something, you got to have an engagement letter because you have to know what they're going to do and what you want them to do and you have to agree on it. Otherwise, it's not going to work because you're going to say, well, I thought you were going to do that.

Chuck Nelms, I actually thought that there was some checks and balances with yours. I'll be honest with you.

Mike Kern they've been what, 22, 23 and 24 auditors, so last three years, nobody,

Chuck Nelms, there ain't hardly, well, there ain't nobody that's left here except Jayme from that period.

Mike Kern, here's one thing I want to bring up to you. The auditor keeps telling us about getting stuff to him and that's the point I was making while ago was I worked for the city council. The auditor should ask the city council; I need a compliance report for an annual compliance report for your books. That's not what we do. That's why I was very strong on saying I do it on cash basis. That's a separate engagement that needs to be

done from the city council to an accountant. They want a compilation report. The compilation report is based on accrual accounting. That means you take into consideration your receivables and your payables and that's not what we do here on a monthly basis because that doesn't help you anymore. The payables and the receivables don't help you. You got to know what your cash is. You're trying to buy stuff. You're trying to issue purchase orders and all that and there's nothing wrong with that. That's fine, but it's a different, that's why I made such a big point about cash basis versus the compliance is a different engagement and it has to be done that way. We had a courtesy was helping do that and we got caught.

Chuck Nelms, it's a minimal number, but obviously use an example, just like if you were looking at permits and your firework permits. your garage sale permits, your dog permits. Theoretically, if they didn't write a receipt out and didn't want to take it to the bank,

Mike Kern, I wouldn't know.

Chuck Nelms, wouldn't know. Jack,

Mike Kern, I agree with you. Totally. Totally. I go by what

Chuck Nelms, that said. Y'all ??? that shouldn't be either. I agree, totally. We should have where they're protected just as much as we're checking. I think nobody, everybody should have somebody that can look in at somebody else's job.

Mike Kern, we normally, we call, and I'm sure you've dealt with it before, but it's called cross training. That's what you need to do and because of your turnover, you haven't been able to do that. I mean, that's the fact of life. Sometimes you get caught, you do the best, best you can. That's the only way we're going to get stuff better is if we talk about it and say, okay, what are you doing? What do we need to do? Let's get this right. I have no problem with you asking me anything. I'll stand up if I screwed up. I screwed up by not sending those in. Yeah.

Chuck Nelms, I rather somebody admit we let's fix it than not.

Mike Kern, you got to know or you can't fix.

Chuck Nelms, Nobody's perfect. Everybody's going to make mistakes. I mean, I'm just being honest. I don't know what would answer the questions to show that it was...

Cindy Cooper, because it's going to take more than cross training because we don't have, I mean if you cross change, just because I know how to do all of his job and he knows how to do mine, we're busy, so he's not going to be double checking me all the time. It would be, you know what I mean?

Chuck Nelms, I'm not saying somebody needs to check it every day, but the thing is, if they know your job enough to where you could randomly go in and say at least that

Cindy Cooper, every other week, rotate and do somebody else's job.

Mike Kern, basically that's what an auditor does.

Chuck Nelms, as far as he's talking about what report we want to show. I don't really know what. Okay. I'm sitting here looking at what I've been looking at is that, and that's what we're figuring out. Those numbers you're giving are just what you know of.

Mike Kern that's right. You're right. If somebody's taking cash there is no way I am going to know.

Chuck Nelms, I was floored when I found out. I had no clue the amount of outstanding water bill that is owed to the city. It's stupid. And probably will never collect.

Mike Kern, that's another reason why I'm placing the emphasis on cash on what we do. We don't do that part of it.

Chuck Nelms, it was just an accident. I asked Jayme, I said it was all these, the same ones every month getting their water cut off did they pay for a turn on fee a cut fee? Well, then she showed me a list of all the outstanding, it was close to a hundred thousand dollars if I remember right.

Mike Kern, does the Aberdeen help them collect that? Is that Aberdeen or is that another one?

Micheal Fulgium, I think Aberdeen just is just the tickets,

Mike Kern, but there was one company that was helping them, but it wasn't Aberdeen.

Cindy Cooper, I don't think there's very many of those coming in that are being collected. The only time really that it looked like some and the only time usually that those get paid is when they need water hooked up again and they're on that list, which is not updated. I mean I bet that list is three months old that shows their names.

Chuck Nelms, this was like four or five years ago when I seen it.

Mike Kern, here's one thing that can help, I hope, that's why I tried to set up a financial committee, a financial committee be looking at internal control issues and it doesn't need to be the whole council because if you have the whole council, you're going to have to have an open meeting all the time. Well, that's why we, on the financial meetings, we have pieces because we want to talk about things and discuss things and say what can we do and then we bring recommendations to the full county.

Chuck Nelms, here was one neighbor in my neighborhood, I don't think she has water now, but several years ago she owed like \$3,000 for how does it get there?

Cindy Cooper, one thing, if they get to that second month and have not paid, it's probably time to go ahead, and them paying \$20 on the \$2,000 bill every month extra isn't going to work either. And those are probably some things that...

Sherry DeFrange, it's kind of got to be taken care

Mike Kern, but let's do talk about some of the budgets because there's a lot to it. Okay. Everybody's got their booklet here and I'm going to, I'm sorry, but I'm going to read you some more stuff on page one, the budget overview, and some of y'all have heard this before, but again, for the people that are new, I'm going to kind of reiterate a little bit. The budget for the city of Krebs is prepared by the use of estimate of needs. We've already talked about that. All numbers used in the preparation of the budget are estimates. Okay? That's where we're talking about the 90% and all that kind of thing. Okay? The total budget is comprised of an estimate of next year's revenues. We've talked about that based on the amount of revenues received the previous year and the amount of cash balances at the end of June 30th. Okay? Now, the state statute does say you're supposed to turn in a budget by June 30th. How the hell can you do that? You got to have your cash balance at June 30th, we've been doing it that way for 30 years, so if they want to do something, come and get me. I don't care. Okay. We've got to have a good number and that's based on the reconciliation of all the cash accounts in the general fund. The grand total of the budget is appropriated, that's a key word, appropriated. This money is appropriated, and for those of you that are not familiar, its appropriation just means it's set in that account. It still has to be approved by a purchase order. A lot of people misunderstand that, and that's okay if you don't deal with it, you always don't know, and that's okay. Understand that an appropriation is not an approval of expenditure. The appropriations are estimates and appropriations can be added to or subtracted from as long as the grand total appropriations does not change. What I'm saying there is you've got all, we will see if you've got all these line items in that budget, you can change within the line items, but you can't change the grand total and that can happen during the year. If somebody needs something special, sometimes you got to do it. I mean, hell, if something big breaks down, what are you going to do? You're going to buy it, fix it. But that's why we need to talk about that. The preliminary budget set by Mike Kern is a starting point for the budget. Mike Kern has no authority for setting any final amounts. I got to say that.

Chuck Nelms, is that a disclaimer?

Mike Kern, yes, sir. Well, it's the truth though. I don't have the final say on anything. Okay. Each department of line item appropriation will be based on need. Sometimes I use the word this is a zero-based budget. You start with zero and say, okay, this is what I need, this is what I need, this is what I need, add it up. Okay.

Chuck Nelms, do you have an estimation of needs from every department?

Mike Kern, I've got some from the police department. I've seen something from the fire department, but I don't have a copy of it. But the first meeting here is a lot about just talking about things. It's this one I think you got.

Chuck Nelms, any other department?

Mike Kern, I haven't gotten anything from the street department. I've got some from the police depart.

Chuck Nelms, can I ask you a real dumb question. There's no dumb question. How did you get an estimation of needs on preliminary budget when you don't have any needs assessed?

Mike Kern, any needs assessed? I look at previous year and were

Chuck Nelms, let's see, one paid department and one volunteer department that it will actually tell you what they need and all of our other paid department says, just give me what you want. We're not going to say, well, there needs to be, don't appropriate something if they don't need nothing.

Mike Kern, let me go through this and it will help you understand some of that, Chuck, but I understand what you're saying, but here's what we do. We start with the personnel, okay? Each department we know which personnel we got.

Chuck Nelms, I on capital outlay is what I'm asking. You know where I'm getting at?

Mike Kern, the capital outlay is a very critical thing and I do want to know which department needs what.

Chuck Nelms, did you submit a budget, John?

Jonathan Clifton, yeah, right here.

Mike Kern, he's on the KUA and that's a different deal.

Chuck Nelms, Billy, what about you?

Mike Kern, what's going to happen is at this meeting, we need to look and see which numbers do need to be changed, and I'll write notes, and then when we have the next meeting, we'll have better numbers to work with. We have to first, again, we first have to get the people numbers,

Cindy Cooper, for those that, if y'all don't know, like the street Sherry, they split at one week. They're city and one week they're KUA. And that's how the treasurer is too. They alternate. That's why they're on KUA.

Mike Kern, yeah, because neither department can afford the whole one, so we have to split them. We've been doing that for years, but we always go through it. We always got to go through it. so that was the only ones that changed on that page that I know of. The police department, personal salary at this point is pretty good. Okay. I've got all these worksheets in my computer and every year I update them and whatever. Now what I want to do, and this is going to be some of the confusing part, like Chuck was talking about the capital improvement and all that stuff, and that's what we need to talk about, but let's look over on page six. Okay. See all those brackets, Chuck? Yep. That's money that's supposed to be transferred over,

Chuck Nelms, and that's for the sales tax,

Mike Kern, correct? Yeah, that capital improvement each month, that's what has come in a third of the total sales tax, and that's why I say booked on there. That's what I've booked into that account because it's based on what came through the bank statements. Now the other part that's a little bit confusing in the general fund, the general fund is already spent. See that \$98,000, the capital fund general fund has spent \$98,000 on capital. Well, the capital improvement accountant does need to reimburse the general fund for that.

Mike Kern, well, the way to do that to me, to make it less confusing, we would transfer some of the, try to transfer as much as we can over into that capital account, into the capital improvement. See, they have, at this point in time, they have \$155,000 in that account.

? In the capital?

Mike Kern, Correct? In the capital improvement account. Well, \$98,000 of that does need to be transferred back over to the general fund because the general fund spent money on capital improvements. You got to reimburse them, but then the general funds got to turn around and send back that \$274,000. Is that

confusing enough? But that's the way it needs to go. The capital improvement has to reimburse them for that, but then the general fund has to reimburse the capital improvements for all those transfers that should have been made every month. You got to do it that way, otherwise you never keep track of it.

Dan Heathcock, how do we know what was paid for out of the capital funds owns? I mean, we're not giving that information.

Mike Kern, when you vote something that, for example, and I'm going to answer your question for you. Say the city's going to buy a skid steer for \$40,000. He knows that's a capital outlay item and that's what he tells you. If you look back over there on page five, look under, look on line 25, that is the capital outlay for the police, as for nine months, \$19,000. See that \$19,000 and see that's over there on the capital expenditures that were booked. That's what I'm saying. We already spent that out of the general fund. Now, does it make a little better sense, but that's the way it's going to work.

Chuck Nelms, it's just making those numbers go where they're supposed to be is.

Mike Kern, that's why at the end of the year, I'm going to have to work it, just work it and see, because there's going to be some more capital outlay that came out of the general fund that needs to be reimbursed, but then we've got to turn around and transfer back over the amount that needed to be in the capital improvement. But I will have a whole reconciliation and it'll look something similar to that. It'll show you, because I've got another worksheet that shows how much of the capital or the CDs that we're going to have to, we could do it one of two ways, and you all need to think about this. I would prefer that you cash those CDs and transfer that money into the capital improvement cash account. That's what I would prefer. But you don't have to. You could say this CD is reserved for capital improvement. Think about that.

Chuck Nelms, I'm all about getting the interest, but that could very well change with some of us get off and then you never know what

Mike Kern, that's why that's, I think that's why, that's exactly why I say I would prefer that we transfer.

Dan Heathcock, you transfer the CD and you lose the interest.

Mike Kern, it's where it needs to be and then what can happen. Theoretically, what could happen is you could take some money out of that capital improvement and make a CD that is restricted for capital improvement. But that's the thing that....

Cindy Cooper, what about emergencies? Like the water tower falls over or something?

Mike Kern, that's in the other accountant that's different. But the bank would work with you. I promise you. They wouldn't, the amount of money you guys got in there, they need to work with you, Chuck. That's why I said I would prefer to cash those and put it in the account first and then you could turn around and take money out of there and set it as a CD

Chuck Nelms, for Capital Outlay? I Like that idea better.

Mike Kern, that way we can show people exactly what we've done and that's why I said I'd prefer it that way.

Dan Heathcock, so you take 10 little CDs and make one big CD restricted for capital Outlook.

Mike Kern, you got to put it in the cash account first. You got to make that transition. You got to make that transfer CD

Sherry DeFrange, without a penalty.

Mike Kern, that's where the council might ought to write a letter to the bank and say, you guys need to help us out.

Sherry DeFrange, that's what I'm saying. Bank first has a 3% as opposed to 4.5 on CD

Mike Kern, you don't want to go through all that. You've already got all your stuff with the First National

Dan Heathcock, all of the accounts are already, there's

Cindy Cooper explain again, exactly what capital outlay is.

Mike Kern, capital outlay is by definition, any item that has a useful life of more than one year. That could be a police vest. That could be, there's some of your fire uniforms, guns. It can't be consumed. Yes, that's good. But once it's a capital outlay though, then you've got to decide where you're going to fund it. You can fund it depending on what kind of an item that is. If that's a police car, you've got a couple different areas that you could fund it from. Either the capital improvement or that \$50 that we're putting together for. Theoretically, if the IT fund was big enough, he could do the car out of his \$50 ticket money and then the IT fund paid for his equipment.

Dennis Cook, I have agreed to use the capital outlay special funds to buy police cars only. I agreed to that.

Mike Kern, just what you were saying, Chuck, look over on page seven. See down there where it says equipped two police vehicles \$40,000. That's exactly what we were talking about. That's the equipment for the police car and it's coming out of the IT fund. That's where I'm budgeting.

Dennis Cook, It's too low. It's \$33,500 to outfit them now

Mike Kern each one?

Dennis Cook, correct.

Mike Kern one of them will be one of them be from that \$50, you just have to have one come from capital outlay and one from the \$50. So instead of that \$40,000, we got to have \$67,000 in there. Projecting for the end of the year for the IT fund. Just projecting again, we would end up at the end with \$80,000 in there if we spent for two equipment for the police, two of them at \$33,500 at \$67,000 instead of that \$40,000

Dennis Cook, the total amount is 87. About \$88,000 for a police car to total

Mike Kern, \$88,600 and 30 is 97.

Dennis Cook, no, that's total car and equipment.

Mike Kern, how much? So, the car itself then is, \$54,000. That's where over there on page six, instead of \$120,000 for two cars, it would be 108,000 right? Two basic cars. \$54,000 each. \$108,000, correct? We're just putting numbers together now.

Chuck Nelms, what you got in that car fund?

Dennis Cook, as of last month, we should have around \$66,000, but I had \$60,000 in the capital alley to begin with, from last year.

Mike Kern, you can't carry over. Can't carry over. Can't carry over.

Chuck Nelms, you got to order it before the end of the month.

Dennis Cook, then we might.

Mike Kern, over there on page eight, one car and one equipment together for \$87,000 and that's okay. that would project to be \$66,000 in that account left at the end of the year. the problem is those capital accounts, can hold this. Then we got to look at the whole budget to see if it'll hold it. Buy car throughout the year.

Chuck Nelms, if you budgeted this year, if you budget it 24- 25 and you don't use it, it's gone Well, you just have to put it on the agenda. Yeah. Before June 30th.

Mike Kern, the got the way we've got this set, we're looking at three cars.

Mayor Walker, Three cars?

Sherry DeFrange, do we need three?

Chuck Nelms, you're saying you need two if you could get last year's money.

Dennis Cook yeah.

Chuck Nelms, So, theoretical, you put on the agenda and buy one, with this year's money next year buy one and equipment both out of IT

Mike Kern, just the equipment part. It's up to the councils. You can do it either way. Budgeted.

Chuck Nelms, you could use that 54 to buy a car and then use the IT fund for the 30 for this year's car and then next year...

Dennis Cook because I need a car now, I need one more car.

Mike Kern, I think if you need a car right now, I have a, the problem with it is, this is a problem, judge. Theoretically we can order the car now, but we may not get it

Chuck Nelms, now correct me if I'm wrong, as long as you do the purchase in this, you've got until November to actually spend the money November 1st. Right? Well, that's the way the state always was. I know, but that's as long as you did it by June. That was t was on last year's money. But if you don't have it delivered by November, you lose.

Mike Kerns, We've, we've run into this before. I mean, we've had approved and we didn't get it until the next year. I got to put it on when the cash went out. I can't put it on there when you want it. Okay. That's just the way cash is.

Dennis Cook, that's just that accounting. That's just for accounting.

Mike Kern, there's, there's no doubt that you can approve it.

Dennis Cook, yeah that's going on next year's money.

Kern, that's really why I was looking at putting more in there because Dennis and I have talked, he can't get a car for two or three months

Dennis Cook, and last year it was 18 months, 19 months.

Mike Kern, that's what the council's got to think about. How are we going to do that? But the good news is we've got enough in those accounts to budget for that. That's the good news. Right. The tough news is how are we going to do the whole budget?

Mayor Walker, as long as we cash out the CDs, you'll have them.

Chuck Nelms, cash them all in?

Mike Kern, not all them all in. Not all of them. I'll have the whole itemization at the end of June 30th.

Mayor Walker, there's not a whole lot in there to be taken out anyway.

Dennis Cook, can we put that on the agenda for next time. It has to be on there Week.

Mayor Walker, we got a big emergency come up, we'd be...

Dan Heathcock, Cindy, which fund does the water tower money come out of? That's over KUA

Cindy Cooper, yes.

Dan Heathcock, it's going come out of KUA to pay for that dam project.

Mike Kern, here's all the CDs we have. We have 66,000,100,000, 150,000 almost 190,000 in CDs. Okay.

Chuck Nelms, don't we need \$274,000

Mike Kern, but remember the \$90,000 that's coming I'm going to have a full accounting of that account at the end of 6- 30.

Mike Kern, here's another thing to think about and you probably hadn't thought of this yet, if we need any equipment in the street and Alley, I mean for the street department, there's two ways to find street stuff. You've got the street department in the general fund and then you have the Street and Alley fund where gasoline tax and vehicle registration money now in that Street and Alley. It has to be on the, okay. Over on the street alley we have a total of, for their budget for just the street and Alley. Over on page nine you can see the total budget for Street and Alley is \$147,000. Okay. That can be used any way you want. We always have set that aside for capital purchases for the Street Alley such as big heavy equipment, but you don't have to do it that way. Okay. You've got \$147,000 in that fund, but it does have to be spent on Street Alley, either personnel or M&O or capital for Street and Alley.

Mayor Walker, they need several things too.

Mike Kern, we can fund it out of there and we would budget it there.

Mayor Walker, they don't get much every year, but they do need tractors and backhoe.

Mike Kern, that's why we've always saved up in that account. We've tried to save up so we could buy big equipment.

Mayor Walker, it needs to be divided up. All the money, looks like to me instead of just a bunch of money here, a bunch of money there. Then the street doesn't get hardly anything out of it the last two, three years. Every year come up with everyone gets some, there's several things that it needs. But we get told we ain't got the money for it. We got the money but didn't spend it.

Mike Kern, we do have the money for

Chuck Nelms, on the flip side of that, there was nothing submitted that they need, correct?

Mayor Walker, not yet.

Chuck Nelms, we're here today

Mayor Walker, you want to have another meeting, aren't you?

Sherry DeFrange, what if we have, say we have a home that's falling in and it's a danger for the neighbors around. What account would that come out of if we were going to have it tore?

Mike Kern, general M&O. That account is over on a lot of things in line on page five, on line 46, page five, the 12 months estimate for what we call maintenance and operation general is \$312,000 and that's where something like that would be spent out of.

Sherry DeFrange, what about the walking track?

Mike Kern, the walking track could be under the park department. That would be in the park. I think I've got \$20,000 budgeted.

Sherry DeFrange, Because the walking track, have you been down there letting anybody, you can't walk it unless you have a hard, hard hard pair of shoes. It's the surface, the asphalt surface is all messed up.

Mike Kern, let's go back to the street alley for a minute. The track hoe, that's something that we really, we need to get information on that so we can budget it. If they need a piece of equipment, we want to budget budgeted down that street alley fund. Whether it's a backhoe or whatever.

Chuck Nelms, my opinion it's free. If they didn't have a need, there shouldn't be a need. If you didn't submit something that you needed for capital outlay, it should be a zero on there.

Mayor Walker, well, it ain't over yet, is it?

Chuck Nelms, no, but what I'm saying

Mayor Walker, don't count us out now.

Chuck Nelms, if we're not going to do it. We've added numbers in here that he's just for lack of better words made up. Because two departments out of everybody here submitted a budget and if you don't do your job and submit a budget, you get zero. I think that's what it ought to be. Do your job.

Mayor Walker, there'll be one next meeting.

Mike Kern, that's good. But that's why I said it's kind of zero-based budgeting. You go by what you really need.

Chuck Nelms, you don't have a clue what the street department needs, I don't have a clue, he is the only one that knows

Billy Robinson, I've tried for two years to get a backhoe and got failed. Two years.

Chuck Nelms, how many backhoes are there?

Billy Robinson, we got two, then neither one of them work.

Chuck Nelms, right. Okay. We need to get rid of them along with a whole bunch of crap.

Sherry DeFrange, let's clean this place up.

Mike Kern, the thing that I always talked about, chief and I have talked and some of us other have talked, if something's still breaking down and it's a piece of junk, we need to sell it. Don't dump cash into it. Bad money after bad.

Chuck Nelms, that's what we need to do on another subject. All that stuff down there in that Frank's building, we need to have surplus.

Mayor Walker, I've been trying I've been trying to have one for six months and a few other projects going on.

Chuck Nelms, just like she's said in these places need to be cleaned up, our yard looks just about as bad as any of them.

Cindy Cooper, I had a question about grants. If you get a grant, if you get a grant, how does that fit in? If we get a grant for something, say we budget for the sidewalk and then we end up getting a grant because Michael and I are on the crash course of trying to figure that out, how to do that

Mike Kern, theoretically. How does that work the way it's supposed to work? Theoretically, if you get grant money this year, you can't use it in the budget until next year. Theoretically,

Chuck Nelms, any money you get this year, you can't use till next year. So basically, it goes in your bank account and use capital out to fund whatever you're doing.

Cindy Cooper okay, but it's approved or it's designated for whatever then it would be designated the next year.

Mike Kern, absolutely.

Cindy Cooper, but you couldn't get it done fixed until that next year.

Chuck Nelms, no, you could, but you'd have to pay for it out of capital outlay and then have to go back into the capital.

Cindy Cooper, then when you get the grant, it goes back into the capital outlay

Chuck Nelms, and you'll have a tracking that you pay capital outlay this many dollars for this project. I say the fire department every year gets this agriculture grant and you have to send receipts in that's actually last year's month. We're just get receipts from the past that we spent to show we bought.

Dan Heathcock, let me ask you about this. Gene Heacock Community Center here. They have a budget that they go by from the last years. Did you say we can't do that.

Mike Kern, I'm going to have to give you a full reconciliation of the community center here because what's happening is the people that work here, we're paying for them out of the general fund instead of out of the community fund.

Dan Heathcock, they're city employees, so they should be paid out the general fund?

Mike Kern, no, they got to be paid out of the proper department money

Mayor Walker, that comes from the hotel motel,

Mike Kern, right? Correct. The motel tax.

Mayor Walker, he only thing you can use it for.

Dan Heathcock, well the motel and that pays enough money for the operating.

Mike Kern, nope. It's got to do it off. Not by far because part of the operation down here is the personnel.

Dan Heathcock, you going shut them down then. They don't make enough money.

Mike Kern, I'm not going to shut nobody down.

Chuck Nelms, no, you've got to move money budget. You got to budget it from your.... But they have to have a budget for Community center,

Mike Kern, yes. And we do have, if you'll remember looking on the city, we have personnel people that work at the community center and the community center. That's a department by itself and it's supposed to function by itself now.

Dan Heathcock, your street department, you pay out of the city fund to pay the employees

Mike Kern, let's start. Stay on one thing at a time. Stay on one thing.

Dan Heathcock, What's the difference? tell me what's the difference.

Mike Kern, There's no difference.

Dan Heathcock, they're all city employees. They get paid from the city.

Chuck Nelms, no, but it comes out, if you look over here, it says from your deal's street and alley. And that's why one of them said street and alley. One was from the city and one was from KUA half because they do half the time. So, half's coming out of the KUA. Most half's coming out of the city. Correct. But it's got a line item, city Treasure.

Chuck Nelms, But the city still plays for each employee.

Mike Kern, that's the category that's within the general fund, the community center is not in the general fund. It's a stand-alone account by itself.

Dan Heathcock, I don't know. It should be, It's under the city.

Mike Kern, no, it's not It's never been there. It's never been, never. No, it's not. The city has always funded it. The city has always funded it. Always. We budgeted it. I can show you the previous years. I mean that's just the way it is.

Dan Heathcock, So, what are you saying? So, you're saying the facilitator needs to turn in an amount, a budget. Projected for her budget?

Mike Kern, Well, yeah. I've already got it in there.

Dan Heathcock, that's what I'm saying. You've already got it.

Chuck Nelms, what I'm going to have to put on there, what I'm saying is if they didn't submit one, it needs to say zero.

Dan Heathcock, but one's been submitted, so I don't get it.

Mike Kern, I made that up myself.

Chuck Nelms, He just made up a number.

Dan Heathcock, there's a lot of figures that we're not receiving.

Chuck Nelms, that's where I'm getting at.

Mayor Walker, we got another meeting.

Chuck Nelms, He should have been able to determine what this senior citizen center's needs are. But last, what they spent last year and that what they needed last year shouldn't be what they need.

Dan Heathcock, it's a good thing you're explaining that they need to pay for employees and all it in their budget. Employees aren't city employees.

Chuck Nelms, it's in their budget. Just right here it says citizen center. There's a line item for it.

Dan Heathcock, but you're saying the center has to pay for it. You say the city's not.

Chuck Nelms, No, it's in the cities. It's a line item in the city budget.

Cindy Cooper, the city knows they're going to have to pay for some of it and they budget to pay for some of the senior because they know that they can't cover all of it with the hotel tax.

Mike Kern, it is different. It's not part of the general fund. It is not part of the general fund. Okay. Look at that. Page 10. Now you see the middle column where it says nine months actual. That's what we've actually received a motel tax for nine months. I projected out that we would receive \$28,679 and 90% of that is \$25,000. On donations again, we've received \$15,772, projecting it out for 12 months. \$21,000. Again at 90%, that's \$18,000. So, their revenue coming in is \$44,000. If you look at the personnel services over on that worksheet, their personnel services are \$59,000. They've spent 20, they projected to spend \$23,000. I put in 20 only to put a number in there. they're \$34,000 short. The city has to subsidize it. That's all there is to

Dan Heathcock, it'd be almost a little more than that because the personnel service is \$59,476. Actual money that was paid.

Mike Kern, where do you see that?

Dan Heathcock, I got that from another sheet. It's one of the other sheets.

Mike Kern, That's just a projection. The \$59,000 is just a projection, and that's a projected with giving raises too,

Chuck Nelms, how much raise did you projected? Yes, 3%.

Mike Kern, see over there on page two, the bottom senior citizen center got three people in there and counting their payroll tax and you got to count it. Their total senior citizen payroll would be \$59,476. So, the whole point there though is just what I was saying, the general fund has to subsidize \$34,000 to the senior citizen. That's all there is to it.

Dan Heathcock, I'm just not seeing it because they're city employees. So, you're not clearing me up.

Mike Kern, No, they're not city employees. They're senior citizen employees.

Mayor Walker They're Getting paid, aren't they? Yeah. Long they getting paid.

Mike Kern, if you didn't pay it here, you'd have to put another line item in over on the general fund. It's out of one pocket or out of the other. And you'd rather want to see what your department is running over here on the senior citizens.

Dan Heathcock, I'm not seeing city employee from city employee. I'm not seeing the difference. I'm not seeing the split Krebs pays for city employees.

Mike Kern, no, Krebs doesn't.? No. Senior citizens get the check.

Dan Heathcock, talking about other city employees. They get the check from the city.

Mike Kern, yeah, but they're in the general fund. They're not in the senior citizen's fund.

Chuck Nelms, the senior citizen has their own account.?

Mike Kern, yes.

Cindy Cooper, but their paid their payroll comes out of the same payroll account.

Mike Kern, they should theoretically reimburse the general fund for it because the general fund, just like capital improvement deal, they're paying for it. So, they need to pay them back. And we haven't done that either.

Dan Heathcock, the account is what you're saying is what they're under was changed to a city account. A city account. The account that the senior citizens center used to have, they used to have their own checkbook.

Mike Kern, the reason they changed that is because there was no talk about no control. There was no control. We make transfers. They

Cindy Cooper, still have a designated account

Mike Kern, we transfer motel tax over into their checking account and they write checks out of that account. Nobody here does. You don't want it down there. That's the difference.

Chuck Nelms, let me ask you another question. How are we getting away with maintaining this building when it's on somebody else's property?

Mike Kern, that's a legal question. Chuck. I can't help you.

Chuck Nelms, this building is on Dominican's property.

Mayor Walker, I thought she signed that over.

Chuck Nelms, nope. You look at data Scout. It says Dominican.

Mayor Walker, they're supposed to sign that over

Chuck Nelms, and we're paying taxes on it. How's that legal?

Dennis Cook, It's not legal. It's

Mayor Walker, we're going to try to clean the town up. And to do it, we're going to have to spend our money to tear houses down and all that. And then that goes over on their tax deal. They have to pay it off before they sell it. We got our money sitting over there. We can't get it if we do 6, 7, 8 houses. That's a lot of money sitting over there. You know of any rule or anything that says after say one year, if you haven't paid it, it gets sold at the sheriff's sale.

Mike Kern I don't know that that's a legal question.

Jim Cortassa, what's your numbers on us?

Mike Kern, I put in the same number as last year. At the end of nine months on M&O for fire, we've spent \$36,818 projecting out for the year \$49,091. That's why I put \$60,000 in there. Okay. Now on the capital, at this point, we've spent \$47,449. You have about \$18,000 left in your capital. Correct. But you got to spend that this year.

Jim Cortassa, we're going to. but my biggest concern is the capital outlay because we're running 10 years of service life on bunker gear. Mine's 15 years old. We get somebody hurt on a fire scene. I don't know what the liability of the city's going to be.

Mike Kern, how much you got on capital for what?

Jim Cortassa, \$113,500 five.

Mike Kern, that can't happen. The budget can't hold that. There's no way.

Jim Cortassa, if somebody gets hurt?

Mike Kern, that's not on me. That's not on me. The budget can't hold \$113,000, period.

Chuck Nelms, why?

Mike Kern, what are you going to take from somebody else? That's what you'll have to do. If we put \$113,000 in capital, you're going to have to cut somebody else. I guarantee you. Okay. You want me to put in \$113,000? You've got it

4. ADJOURN

Chuck Nelms makes a motion to adjourn. Sherry DeFrange seconds. Mayor Walker calls for a vote. Sherry DeFrange- yes, Chuck Nelms- yes, Dan Heathcock- yes. **Motion passed.**