

**CITY OF SHEPHERDSVILLE**  
**SPECIAL MEETING**  
**Thursday, February 9, 2012**

Reconvene special meeting of the City Council to discuss revenue and expense numbers as related to the 2012 budget.

In attendance were Council members Bernie Brown, Larry Hatfield, Corky Miller, Faith Portman and Alan Wetzel.

Mayor Ellis called the meeting to order at 6:00 and stated the purpose for the meeting was to continue discussion from the February 6<sup>th</sup> meeting of the general fund and sewer fund budget and open the floor up for any Council members comments at this time.

Corky Miller stated he would like to say a few words about a City employee who has passed away this week. Bobby Donaldson, an employee of the Sewer Department who has been sick for some time and died of cancer of the brain. He asked that everyone observe a moment of silence in memory of Bobby and our prayers directed toward his family and loved ones.

Mayor Ellis called Tim Hance with AccounTemps to the podium.

Tim asked the Council what questions they had.

Corky Miller: My only problem is there are a few things from the way our budget is, and the way I see it on here is matching things up. With the codes. Is this actually the final sheet we will get for the first six months?  
Tim Hance: For the sewer, yes.  
Corky Miller: Is it final for the general?  
Tim Hance: No because the general is not complete set up in the QuickBooks yet. I had to do a lot of spreadsheets because I'm not completely finished with the General Fund. And I've already found some errors from data entry into QuickBooks.  
Mayor Ellis: The expenses are in the QuickBooks system.  
Tim Hance: The expenses are in QuickBooks but I've already found some date errors which basically all that means is they might be posted to September but they should be October or August. As well as every so often late invoices do come in. We've found here just in the last month we've had some invoices come in from May and April last year. That does happen. And when we enter them we have to enter them by date which means they are going to affect last year not the current year.  
Corky Miller: I have one more question I'll ask. Because of finding out the information that you needed to find out which I guess you went through the Treasurer and through the Clerk, is that one of the reasons why this process has been taken so long?  
Tim Hance: Well when I first took this assignment I told everybody that was there it would be at least 6 months if I did not run into problems. Now that six months would be up toward the end of February. We've not even into the 6 months that I've been here. I've only been here right at 5 months. On top of that I did run into problems. I'm the one that found that there was a problem with ADP. And in trying to correct that, when we tried to get ADP to correct their problems they made further errors and in fact when they actually sent the W2s, Tammy and Gayla found out that 90-95% of the W2s that ADP sent were wrong. And they've had to spend 3 or 4 days trying to correct them. So yes I told you all it would be at least 6 months before I could start producing statements if I did not run into problems and of course I have run into problems.  
Corky Miller: Again my main problem is, and this may be because you were not here when we did the budget, I have trouble matching numbers that was on the budget compared to what's on here.  
Tim Hance: I understand that. I tried to apportion the budget according to the numbers that I was given and not all of the budget numbers correspond to the actual expense numbers. That's the best I can tell you.  
Larry Hatfield: Why would that be? Is that our system's fault?  
Tim Hance: You all had to estimate a lot of stuff I suspect. I was not here when you did the budget. But I'm sure you had to estimate a lot of stuff whereas I'm trying to do it in more detail so that next year you will have more accurate information and next year when you get ready for the budget you're going to have much better information so that you can say, this is what it costs us, this is what we need to budget for next year, this is the number

that we need to use for next year. First off and foremost, the accounting system that the Treasurer and the City Clerk basically inherited from the prior bookkeeper was a mess. I mean she had revenue and income numbers all over the place and basically I've had to try and figure out that system and make sure that it's being set up accurately. A very good example, she was posting all loan payments to expense and that's not correct. Part of the loan payments is principal which are balance sheet items and part of it an expense. Larry Hatfield: The principal would be on the balance sheet. Tim Hance: Correct. Larry Hatfield: My question is why are we using just 50% of the budget? Can we change that to have the 100% of the budget in the budget line and then when we look at it at the far end the percent of the budget it would tell us exactly where we're at in a 6 month period or in an 8 month period? We would be 50%. Tim Hance: With more work I could add those columns yes but that's just more work. Larry Hatfield: We have the budget column. But we were told at the last meeting to multiply that by 2. Tim Hance: Right, because that budget is for a 6 month period. These statements are only for 6 months. The budget as its set up in QuickBooks is set up on a month to month basis. So that when I printed the statements for July through December it only picks up the budget for that period. Larry Hatfield: Automatically. Tim Hance: Exactly. Larry Hatfield: The P&L I got in July showed an income different than what the P&Ls are showing here as far as income. Tim Hance: For the sewer? Larry Hatfield: For the sewer. Tim Hance. The reason for that is from the information that I had I used the date; this is all due to the Louisville Water Company. Basically all I had for the Louisville Water Company were the dates that it was actually received in the bank. Just last week due to Tammy's basically badgering Louisville Water Company we were able to get more correct information to show what dates those payments were actually for and for the most part, Louisville Water Company pays a week after the service is actually for. So that if we received a payment on the 5<sup>th</sup> of August, it was actually for the last week of July. So I had to adjust the payments for the date of service so that's the only thing that has changed. Larry Hatfield: So July, if we received \$300,000 in July that's exactly what's on the P&L is \$300,000. Tim Hance: No. If we received \$300,000, let's say we received the very first payment of July actually would have applied to June and because I did not know that until last week I applied it to July because that's when we received it. But when I got the information last week from Louisville Water Company the breakdown they gave us was this payment actually goes to this week, this payment actually goes to this week, so on and so forth. So I had to adjust the date from being received because you post revenue to the date that it's earned not the date that it's received. Larry Hatfield: Will the P&L show the reflection of the automatic sweeps that we have swept like the \$30,000 in one of the bond payments is automatically swept. Will that number show on the profit and loss? Tim Hance: Yes. Larry Hatfield: Is it shown on it? Tim Hance: Yes. Larry Hatfield: So all the income will actually include all the sweeps? Tim Hance: Yes. Now the sweeps, that \$30,000 again that's a loan payment, part of it is principal and part of it is interest. So I have to go in and we have to apply the proper amount to principal and the property amount to interest. Larry Hatfield: Theoretically, on what we're looking at this evening, from July through December, we're showing a net profit of \$1,339 so many dollars, so many cents. If I take that number and subtract what we spent in January in expenses, if I had it, then I should have very close to that number in the bank? Tim Hance: No. Larry Hatfield: Okay. Explain that to me. Tim Hance: The expenses are what you owe, not necessarily what you pay. Some of these invoices you don't want to pay for 30 days, or 45 days, whatever. If you have \$100,000 in expenses for a month that doesn't mean that you've actually paid out \$100,000. Larry Hatfield: That's still fuzzy to me. Mayor Ellis: Like with Derby City Pump and Valve how we do a 45 day bill or a 90 day bill with them. We may owe them that today and pay them in 45 or 90 days. Larry Hatfield: When I ran my company, my P&L statement showed my expenses for that month. Tim Hance: Probably because you dealt on a cash basis, meaning that what you paid out were your expenses. The City is set up on an accrual system, meaning that you show your expenses when they become an expense. For instance, the gas and light bill. The service for right now, for this month, you're not going to get the bill until next month but when you get the bill for this month you're going to post it to this month. So if you've got a \$5000 bill that hits here in February you're not going to pay in until March. Larry Hatfield: But the P&L for July, let's just take one month for instance, this City paid out x amount of dollars in expenses in July. Tim Hance: It accrued so many it didn't necessarily pay out that money. Larry Hatfield: Ok I see what you're saying and that's the part I don't like. Maybe that's what I've got to get used to. So when I look at this sewer account July through December, theoretically, I don't know what I've made because I don't know what's been paid. Tim Hance: No that is what you've made there

might still be some accounts payable but there are also some accounts receivable. For instance, the water hauler bills. Tammy bills them after the month that they actually accrue. So it's the same principle that you post what you either earn or the expense, you post it to the period that it actually takes place not when you pay it or actually receive it. Larry Hatfield: I don't want anybody to take this the wrong way but engineering fees; I'm assuming they're under contractor services. Tim Hance: Yes. Larry Hatfield: Well I asked Angi to pull what their Company showed that we have paid them from July to December. And they are saying that we've paid them \$145,000. Tim Hance: Right, but some of those payments were for invoices for last fiscal year. Larry Hatfield: No. Tim Hance: Yes. Larry Hatfield: No sir. The ones I have marked here are from, that's what worries me and I'm not trying to put anybody in a corner, but I specifically asked them to pull me the receipts that we have paid from July 2011 until December 2011. Tim Hance: Right we've paid them that much money; however, I know for a fact that some of those invoices were for prior to July 2011 which was last fiscal year. Mayor Ellis: The one that we paid that was \$118,000 out of the GO note was a bill from last January or February. Larry Hatfield: That's not even on here. Tim Hance: if they're showing that those are the ones that they received, that doesn't mean that those are the dates that those are the dates they were actually invoiced. But I know for a fact that we paid some Qk4 in October or November that were actually for last year. There were quite a few of them because they had either been overlooked or they just hadn't been paid yet. But I remember that very clearly. Larry Hatfield: Well I'm looking at the invoice dates. Tim Hance: Are they invoice dates or received dates? Larry Hatfield: Well I'm trying to read their summary and it says the invoice date June, July, which July is what I have marked, August, September, October. And Tim I know that you are only as good as the information that we give you. And you have to realize that we have been told so much and I just want to make sure that we are all on the same page together. Tim Hance: On the sewer, everything that is on there, I've done back reconciliations. And I'm positive of the dates of the Qk4. I'm positive of that because I remember those very clearly and I'm very positive that quite a bit of that money was that we paid in the current fiscal year was for last fiscal year. And I really think that's what the difference is. Larry Hatfield: Okay we will sit down and we'll go through it. But I'm looking at what I have marked. Tim Hance: It's also possible though that if they have invoices that we might not have received yet. Larry Hatfield: Well then why would they have showed them paid? Tim Hance: If they are showing them paid, then like I say, some of those are for last fiscal year. Larry Hatfield: I'm not trying to put you on the spot. I just want to make sure that when we're talking about this we're comparing apples for apples. Larry Hatfield: How much work are you still doing that we did not hire you to do? How much time do you feel that we've thrown in on you that you weren't expecting? Tim Hance: Well first off, I had to work on payroll because that's part of the accounting system. And I was hoping to fix the numbers for the W2s before ADP sent out the W2s but because I was pulled off of that to work on the financials for the general fund I wasn't able to do that. But like I say the payroll system is an intrinsic part of the accounting and it not only affects the W2s, what the employees get it also affects what is being paid to the federal government. It might not have been part of the process of this but it's intrinsic to the accounting and it's something that I had to do. However, since I've started working on the general financials that's all I'm working on now. That's all I'm working on right now is trying to get everything into QuickBooks so I can get QuickBooks set up correctly and accurately and now we're just talking about the expenses and revenue. We're not talking about the balance sheet accounts; because the Auditor, his audit report comes out for June 30, 2011 that will have the ending balance sheet accounts for last year which will be the beginning balance sheet accounts for the current year. So there's no reason for me to even work on those accounts until he gives his report because otherwise I would be redoing his work. Larry Hatfield: I'm still trying to understand how that I can determine, me personally, this is just me, I do not like the fact that I cannot see 100% of the budget, 100% of the time on the monthly P&Ls because that would at least tell me that in telephone we budgeted \$10,000, we've spent 70% of it. That's something this Council is going to have to have in my opinion. The rest of the Council may not feel that way. Bernie Brown: I agree with that. Tim Hance: That's very simple. I can make that adjustment and send it back out. That's very simple. Bernie Brown: Does QuickBooks decide what percent of the budget you show on these P&L monthly statements: Tim Hance: Yes. If I had done the statements for 3 months it would have only shown 3 months. The ones I did for the month only show a month. Bernie Brown: But our budget is for 12 months. Tim Hance: Right but if you're looking at one month and you see 12 months it's ... Larry Hatfield: Well that's what I've been used to looking at. Bernie Brown: If

we see looking at the 12 months, we see one month spent, it should show us how much has been spent so we know how much remains. Tim Hance: The problem with that thought is when you have; a very good example is your LG&E bills. You're going to spend more during the winter that you are during the summer so that if you say you spend 5% of it in July and you expect 5% every month; it's not going to be correct because you should expect to be spending more during the colder months. My suggestion to that, and in fact QuickBooks can do this, is that for next year instead of doing a budget for the entire year at one time, is sit down and do it for the year, and then break it out by the months and say we expect 5% for this month, 15% for this month, so on and so forth. That's my suggestion. And QuickBooks can set it up that way. Larry Hatfield: I guess the question that I'm going to ask is how much longer do you feel that we are going to continue before we can step out of our own and take this over. Tim Hance: I'd hoped to have it by the end of February, the end of the 6 month period, but with taking time out to do these financials, I'm projecting the middle of March is when I will have everything in QuickBooks for the revenue and expenses and at that point is when I will start showing the rest of the people here how to actually enter the data and how it should be entered and what to look for to make sure it's entered accurately. Larry Hatfield: Okay. Let me back up a little bit here. So if I'm looking at this and tell me if I'm wrong, July through December sewer fund, and I'm showing the profit of \$1.3; that does not tell me, we don't see on here the \$94,000 expense every month that we pay to the big bond for the plant. Tim Hance: You are correct partially. You're seeing only the interest and the bond fees. You're not seeing the principal portion because that's a liability. Bernie Brown: So that would show up on the balance sheet? Tim Hance: Correct. Bernie Brown: And when does the balance sheet become available? Tim Hance: Like I say there's no reason to even start on the balance sheet until I receive the auditor's reports because for me to even come up with balance sheet amounts for the beginning of the year since what he's producing will be the beginning of the year balance sheet accounts. He'll have them and they can be put into QuickBooks into the beginning amounts and then you so the balance sheet at that point. Larry Hatfield: Tim I don't think I can operate that way. I mean the way things have been. What can we put together to where Larry Hatfield is going to be able to sit up here and know that if I tell Chuck Keith to go out here and spend \$60,000 on lift station #4 that we're not going to get into a situation at the end of the year to where we've over spent? That is critical that I'm able to do that. And if I can't look at my profit and loss statement and know that that figure is actual money that I have made, then I've got to come up with a P&L for dummies or something because I can't call down here and say every time we want to spend some money wanting to know how much money we've got in the bank. We can't operate that way. This City is too large and I am not an accountant, would not try to match wits with you in any way along them lines. Tim Hance: To be honest, there are ways to produce the kind of statement you're talking about. I would basically show this is how much money we've received for the month for purposes and these are what we've actually paid. But that's something I'd have to spend some time to think about. Larry Hatfield: But standing here this evening you feel 99% sure that this City is taken in a gross income of \$2.4 million in sewer. Tim Hance: The revenue I have no problem with that. The revenue ties exactly with the bank statement on both the sewer and the general fund. I have no problem with that. It's the expenses on the general fund that I'm not sure if everything has been entered yet. Now the sewer I'm happy with those statements. I think they are very fair. I think they are accurate. And I've done all the bank recs for the sewer. Gaynell Rummage asked why the City is on an accrual basis instead of a cash basis. Tim Hance answered because it's federal law. Bernie Brown: Something that's bothering me too is we need a monthly report that lets us know exactly where we're standing in relation to the budget. This P&L report, if we look over here on the right column under the column percent of budget, if we see that that is something going wrong there then that could be a signal we need to do something to the budget. Right? Tim Hance: That would be you're all's decision not mine. Larry Hatfield: He's exactly right in my opinion and that's why I would like to be able to look here and, let's use legal fees, we budgeted \$23,000, we've spent \$4700. If the number would reflect the \$25,000 then over here we would say we're at 6 months, we've used 30% of it. In my mind I could easily say we're fine. Tim Hance: Like I said I can make those adjustments. That's not a problem. Bernie Brown: I think that would be helpful. It would be to me. Tim Hance: That can be done. City Attorney Wantland: Mr. Hance I'm listening and I'm over here with Larry, would it be better when we talk about cash flow and meeting bond obligations and principal payments, whatever, is that information going to come from this accounting that you are working on or are we going to get a better overview as far as cash flow and meeting our obligations on an

annual basis. Is that for Mr. Ryan and the audit or is that with you? Tim Hance: No that would be with what I'm doing. Once the balance sheet is set up then you should start receiving a cash flow statement. But that is something that I'll have to spend some time on because a cash flow statement, the way it's set up by the ASCPA, to be honest, is confusing. And I want to look at it and come up with the simplest way to show that.

City Attorney Wantland: We may think we've got a quarter million dollars in the bank but we've in 60 days we've got a quarter million dollar bond payment. That's where I'm trying to go with this. Tim Hance: Exactly.

Bernie Brown: that's why these P&Ls we have to have more than just a P&L statement for a report.

City Attorney Wantland: Is that helpful to you? Tim Hance: Oh yeah. It's just part of the process.

City Attorney Wantland: The information will be from you rather than the auditor? Tim Hance: Correct. It would be from the administration office.

Bernie Brown: So you are going to prepare a balance sheet eventually.

Tim Hance: Eventually. If I'm still here at that point. Like I say, the balance sheet, rather than redo the auditor's work I would rather wait until he finalizes the audit report because that will have the beginning balance sheet amounts. I could come up with those amounts but it's just going to mean me basically redoing his work when, if we can wait for his report, then we can just use his numbers and the work is already done.

Corky Miller: At the beginning when you came in was there every an initiation on your part or by the City's part to have a meeting with you to see what direction you were going in and what type of Profit and Loss statement you were going to do or accounting system that you were going to use. Because like many of us up here I'm not an accountant and maybe if something like that would have been set up beforehand some of these problems that we're seeing could have been eliminated.

Tim Hance: That's possible to be honest. We didn't really sit down and say this is what needs to be prepared. To be honest I'm giving out what QuickBooks automatically prepares. There are different ways to prepare this information but then again I'm just giving out exactly what, I'll just go into QuickBooks and say give me the current Profit and Loss statement for this period, I'm not making any advanced uses of the statements or anything. But that certainly can be done.

Corky Miller: Like on this report, what may have been put out here in October could have changed since that time.

Tim Hance: Only if I found where my previous information was wrong. Like Louisville Water Company. Otherwise, like I say, I've done the bank reconciliations and unless more information comes in that say my original information was either incomplete or wrong it should not be changed.

Corky Miller: I'd like to ask this question too, I hope this is not out of order but the gentleman with you, Chad, you're with AccounTemp, is what he's doing, is this typical of accounting groups like us, the information we need? Chad: We place people in accounting positions. So we're recruiting and staffing firm. This situation is unique in that we're working with city government, most of our clients are going to be smaller or large companies, so this situation is probably unique but we've worked with Tim for 5 years and 12 projects with 12 companies and he's been a very valuable asset for a lot of companies. I think he's just going through some unique circumstances in your situation.

Larry Hatfield: Am I, in an accounting world, and I have the previous audit, if I take the \$2,124,000 that is what the audit said that we received fiscal year 2009-2010 total revenue. We had a sewer rate increase of 66%. When I take this total number to 66% it takes me to \$3 million.

Tim Hance: The problem with that though is you're talking about the sewer rates. This revenue includes more than just sewer. You only want to use your \$1.7 for your 66%.

Larry Hatfield: Right. But when I do that if I take my 66% is the 66% of the \$1.7 million going to be close to the 66% if you did it on a per customer basis?

Tim Hance: That I don't know I'd have to look at it.

Larry Hatfield: Okay. Do you see what I'm saying?

Tim Hance: Yes.

Larry Hatfield: That brings me to \$2,942,814.80. I'm going to add \$950,000 to that. The \$950,000 is about what Jim Beam is going to be paying us. That brings me to \$3.8. Now if I look at my P&L and I double my income for the next 6 months I'm at a \$5 million budget but I did have one tap fee for \$500,000.

Tim Hance: The only thing you really want to look at for the sewer fees to double or use for the 66% is from the sewer fees through Louisville Water.

Larry Hatfield: Exactly. That's what I done I took that which actually that would be incorrect because we did not actually get the full increase until October.

Tim Hance: You'd really want to just use say October through December's numbers.

Larry Hatfield: But if that is true then we will have over a \$5 million budget.

City Attorney Wantland: Larry that's making some assumptions.

Tim Hance: That's making a lot of assumptions. For example, the Jim Beam payments, you're saying they are \$950,000.

Larry Hatfield: Average.

Tim Hance: But it could be lower than that it could be above that.

Larry Hatfield: Well sure, but if you divide that by 12 that's 79,000 a month. We averaged that last year.

City Attorney Wantland: I'm on the same page you are, we just have to

know exactly where all that money came from exactly. So if you try to project it 12 months, like Mr. Miller saying about the \$500,000 tap on fee. We got in 6 months and really you've got to spread that over 12. Then I'm looking at some of these other figures and we have to figure out exactly where the money came from but I've got the same thing. The problem we're having is that we want to make sure we've got our citizens taken care of. That's the bottom line. And we've been, as collective as a Council; we've been kind of misled in the past. Larry Hatfield: I think that we as a Council and Mayor are going to have to sit down with you and your boss and decide how much longer we're going to drag this chain. And decide when we are going to be able to cut the rope loose where we can function and what direction we need to go. But I have one more question on the general fund. Rent on this building. Why have we only paid \$100,000? Tim Hance: Because that's for six months. Larry Hatfield: We're supposed to pay that every December. Tim Hance: Right. You're paying \$200,000 but the expense is accrued per month. So it's \$200,000 divided by 12. Bernie Brown: That's why I think it would be best to see the 12 month budget instead of 6 months or 3 months. Tim Hance: That's fine. Larry Hatfield: Yeah because this is not going to work for me. Tim Hance: Changes can be made to it. Larry Hatfield: Everybody else might be tickled to death with it and I can live with it if they are. I'll just adjust my thinking. Corky Miller: With QuickBooks that shouldn't take that long. Tim Hance: No. Bernie Brown: I noticed in the first 6 month period, every month showed a net income on the plus side except November. What could have happened in November? It was a negative \$44,000 something for net income in Sewer. Larry Hatfield: Where you at Bernie. Bernie Brown: Sewer. Oh I'm sorry that was the general. November net income. Here's one report that was printed 19<sup>th</sup> of January and it's showing a negative \$95,000. Tim Hance: That's when I was not in the office and that statement was not complete. Not everything was entered. I did not prepare that statement and I know for a fact that not everything had been entered into the system at that point. City Attorney Wantland: The City doesn't really generate a lot of income; we're not an income making facility here so when you say net income are we really talking about new cash flow increase. Tim Hance: No we're just talking about accrued revenue exceeding accrued expenses. Larry Hatfield: And you feel that these figures on the sewer are correct? Tim Hance: Yes. I do believe they are. Bernie Brown: Now if we feel based on these numbers that we need to amend the budget you feel like that can be done with pretty good accuracy right now. Tim Hance: I believe so yes. Bernie Brown: When will we have that information on the general fund? Tim Hance: The middle of March. Bernie Brown: Is there any way to get it any faster than that? Tim Hance: Only if I had some help and someone had access to a computer. Bernie Brown: I don't think we can wait until the middle or March to get that information. We're going to have to amend the budget I think. I'm pretty sure and we need a little more time than that. The middle of March, that gives us 3-3-1/2 months until the end of the fiscal year. It doesn't allow much time to make the adjustments and end the fiscal year with a balanced budget. Tim Hance: That decision you'll have to make. Bernie Brown: Do you all think we can wait until the middle of March? I don't. That's my opinion. I mean if we have to do something else. I think we better be looking at it. Faith Portman: What do you think we need to look at doing? Larry Hatfield: Well there's no question that the budget is going to have to be amended. If these numbers are correct I'm comfortable in the sewer. I feel very good about it. Now in the general. I did not work a lot on that but I think we're going to have to sit down with Tim and AccounTemp and I think we as a Council is going to have to make a decision as to how much more are we willing; I think we're going to have to work something out with them whether or not we're going to keep Tim until the middle or March, end of March. When is this City going to be able to say we've got it and we're ready to walk with it? We cannot keep paying, no offense to you all. But we cannot continue to keep paying what we're paying. We've paid \$38,000. Bernie Brown: Well it's not \$2000 a week then. Why isn't it? It was my understanding its \$2000 a week. Is that right. The City Clerk stated that total was taken straight off the invoices today. Bernie Brown: Well okay then it's not \$2000 a week. Tim wasn't the agreement that the City was going to pay \$2000 a week. Tim Hance: It is unless there's a holiday or the days I've been out sick or something. Some of those invoices I've either been out sick or there a holiday or something like that. Mayor Ellis stated it broke down to be \$50.00 an hour for whatever it was. Steve Larimore: When do we expect the audit to be returned to the City? Mayor Ellis stated actually we are going to have to vote to pay his bill so he can finish that audit up. Once we vote to approve that he should be coming back. City Clerk stated he just came in and got the rest of the information to finish the audit which he's working on. He's finished pretty much. Steve Larimore: We should get it before mid-March. Mayor Ellis: Yes. Steve Larimore: Once we get the audit Tim what I

understand you're saying, instead of starting with a zero balance in all of our funds we'll go back and whatever number he says we're in the hole to begin July 1 you'll then put that as the starting balance. Tim Hance: Correct. Steve Larimore: So Larry your budget may not be good. Because we don't know what that negative number was. Larry Hatfield: that wasn't sewer. You're thinking about general. Steve Larimore: It doesn't matter. It's the general point that I want to get back too. That when you guys said we were going to start the year with a zero balance it's impossible to do that when you know you're in the hole in things. You're going to pay the piper when the auditor comes out so if you're anywhere near on the budget on anything you're going to have to subtract all the negative that you started with. Larry Hatfield: Steve I understand that and I've made this statement 6 months ago. You're not going to dig out of this in a year. You're 4, 5, 6 years. Steve Larimore: And that's my point, when we talk about the budget looks good, Bernie when you say this one looks good, maybe we don't need to amend it, you can't make any of those decisions until you know what the starting number is. And that all ties into the audit and it ties in to what we're accumulated. So let's don't get the cart before the horse and start trying to amend the budget before we know what that number is because it won't work. Larry Hatfield: Well let me say something too, Steve, it looks a hell of a lot better than it did 6 months ago. Bernie Brown: I can say this; it's been some pretty painful things that we've had to do. Increasing the sewer rates like we did. Increasing taxes like we did. That wasn't the popular thing to do at all. But it was absolutely essential or declare default. Mayor Ellis: Bernie like you and I said in the hallway that day, the popular things have gotten us in this mess in the first place. So you've got to go the unpopular things to get out of it. City Attorney Wantland: While Mr. Hance is here I would ask the Council to think in terms of, we've talked about having a controller, I would again think this would be an appropriate time for looking at posting a position for an internal auditor to handle some of the finances and put that to be for once. We're not a small town anymore. We like to think of ourselves as that but we really are a multi-million dollar business and we definitely need to have people who have expertise to handle that kind of money. Bernie Brown: But I think we've got to talk about some decisions that have to be made. City Attorney Wantland: No question, but while Mr. Hance is here it would be a good time to get somebody, I would think that we would be better off having someone come in while he's here before he leaves. Bernie Brown: Sure that would be ideal I'm sure but again it's the money situation and there's going to have to be some things done pretty soon. Larry Hatfield: I think we need to meet with Tim and his supervisor the first of next week. Somebody, not just Scott, it needs to be a couple of us. Mayor Ellis stated we would get our scheduled together and get with Tim and see what he has. Faith Portman stated she didn't think it would be a bad idea for all of us, three at a time to meet. Mayor Ellis stated he thinks that would be a good idea to get 3 at a time.

Larry Hatfield: The money that we've paid out of sewer fund that needs to be reimbursed out of the \$3.5 million BRAC money. Angi Johnston: No not BRAC, that's the sewer bond allocation for the Salt River Interceptor. I want to make sure that's cleared up. Angi Johnston: We'll coordinate that with Tim. Bernie Brown: Another issue, if I'm not mistaken right now the KIA reserve fund, the City owes that fund \$380,000 approximately. That's another figure that I don't think we're really looking at or paying attention too. What are we going to do about that? City Attorney Wantland: I think we are paying attention to it. I think that's what Councilman Hatfield is really concerned with and that's why he's pressing the numbers, that's why the accrual and the cash is throwing him off because he's looking to make sure that we are starting to fund that \$380,000, i.e. cash, Tim's talking about accrual and they don't necessarily mesh. I know there's two people right here and we've been both talking about that exactly that to make sure what I refer to as the cash and I appreciate Tim trying to explain accrual, that's why I said we're going to have to have some kind of cash flow management statement generated so it will give us an idea of how much money we're actually putting in the bank for reserves, capital improvements, these kinds of these. We're going to have to have that information.

Chuck Keith: The lift stations, Big O, Blue Lick School, Shannon Lane, all the Danfoss stuff is burnt, one Danfoss is burnt completely up. Circuit boards out of the two others are burnt completely up. To fix it and it needs to be fixed as soon as possible will be \$3597. On our big lift station #1 at the sewer plant. We've got 4 pumps. We only have two of them working. One pump is burnt completely out which is the #1 Flygt. The #2 Flygt control panel, same thing, it's burnt out. It is \$3306.00 to fix that station. And we need to do that as

soon as possible. And also on the station I brought up before we have no way of pulling those pumps. I called three companies and only one was even interested. They have to go down with a scot pack and physically hook to the pump, pull it out then put a cable on it and lower it back in. they have to do all 4 pumps that way. That was \$6500.00. Larry Hatfield: So what you're telling us is you only have one main pump in this City. Chuck Keith: No we've got two operable. That is the Straeffer side. Larry Hatfield: What about the pressure gauges. Larry Hatfield: I'll have to go to Louisville to get them. They are going to be expensive. I'm going to have to get 8 stainless steel and get 8 stainless steel cutoffs. Because anything other than stainless steel that sewer water eats it up in a matter of months. I haven't got a price on them. But we are going to have to have them to hook to Transmission Shop, Shannon Lane, Blue Lick School and Big O to turn all 4 stations on at one time to get the pressure readings to find out what's going on on that force main. Larry Hatfield: To put this in a nutshell you all, the reason this needs to be done is because we're getting ready to let 192 units tie in to this line that all these work off of at the same time. Do we need a motion to do this? City Attorney Wantland: We have it in the budget don't we? Larry Hatfield: I would say we do. City Attorney Wantland: I would say we don't need a motion. We'll put it in the minutes. Chuck Keith: Also when we came in Monday we had some shady stuff done over the weekend to us. And our scada program is completely down. That is part of the agreement with the EPA to keep from having to put flow monitors in. They were going to go off our daily sheets. I don't know what that's going to cost, I haven't called anybody in yet but I need to do so. City Attorney Wantland asked if we had a police report yet. If we have an inland marine policy we need to make an insurance claim for intentional vandalism. Chuck Keith: I called the electrician in and he said that whoever did that knew what they were doing and it was done intentionally and it's going to cost us about \$2100-\$2200 to fix that. Mayor Ellis asked Chief Puckett about a camera. Larry Hatfield: Are we telling him to go ahead and fix it? Mayor Ellis stated that's up to you guys if you all want to do that we'll do it. I think it needs to be done.

Faith Portman made motion to adjourn. Corky Miller 2<sup>nd</sup>.

Meeting adjourned at 7:11 p.m.

\_\_\_\_\_  
R. Scott Ellis III, Mayor

Attest: \_\_\_\_\_  
Tammy Richmond, City Clerk