



JASON E. MUMPOWER  
*Comptroller*

March 28, 2022

Honorable Emmitt Gooden, Mayor  
and Honorable Board of Aldermen  
Town of Mason  
12157 Main Street  
Mason, TN 38049

Dear Mayor Gooden and Board of Aldermen:

Thank you for meeting with us on March 22, 2022. At our meeting, we discussed the Town of Mason's March 21, 2022, memo (attached), which outlines the Town's proposed repayment plan for the \$597,905 owed to the Water and Sewer Fund as of June 30, 2020:

- \$84,315 repaid during fiscal year 2021 (approximately \$7,026/month);
- \$28,236 repaid to date in fiscal year 2022 (approximately \$3,137/month); and
- \$227,134 that will be repaid with money from the General Fund.

It is our understanding that the Town's first tranche of Federal American Rescue Plan funding will be used for qualifying expenditures within the General Fund thereby providing an opportunity for the Town to use the revenue that was previously budgeted for those expenditures to repay the Water and Sewer Fund. The Town's memo reflected that the governing body voted to approve this plan on March 17, 2022, leaving an estimated unpaid balance of \$258,220. Please note that this amount is subject to change when the FY21 audit is released and as we learn more about how payroll reimbursements from the General Fund to the Water and Sewer Fund have impacted the interfund balance.

On March 25, 2022, the Comptroller's Division of Local Government Audit verified that the payments listed above have been deposited into the Water and Sewer Fund bank account; accordingly, we are restructuring the original corrective action plan dated March 17, 2022.

The Town's proposed repayment plan of \$10,100 per month, as described in its memo, is sufficient to repay the amount owed in 26 months. However, we approve a reduced minimum repayment amount of \$9,564 per month over 27 months. The Town may elect to utilize additional funds for this purpose if they are available.

The governing body will stop using money from the Water and Sewer Fund to pay for General Fund expenditures including amounts for General Fund payroll. State law prohibits the use of utility funds for general government use and all utilities must be self-supporting (Tenn. Code Ann. § 7-34-115). Please contact our Office if at any time you determine the General Fund bank account does not have sufficient funds to make payroll or pay bills becoming due.

A balanced fiscal year 2023 budget must be submitted to our Office no later than July 31, 2022, and the fiscal year 2021 audit must be filed by August 31, 2022. Please note the fiscal year 2023 budget cannot

be approved until the 2021 audit is filed. Our Office has contacted your auditor to encourage its expedited completion. Once the fiscal year 2021 audit is received and the fiscal year 2023 budget is approved, the Town will no longer be subject to heightened financial supervision pursuant to Tenn. Code Ann. § 9-21-403(c). We will continue to work with the Town to ensure the budget stays balanced and the Water and Sewer bank account is restored.

Thank you for meeting the initial March 25, 2022, deadline. The following list includes the requested items and their current status:

1. Initial Request for Information:

- Budget to actual for each fund as of March 1, 2022; ✓-Received
- Last 3 months of bank statements (account numbers redacted and fund clearly marked on each page); ✓-Received
- Contact information for the individual from Mason with financial knowledge that will work with the Comptroller's Office as the main contact; ✓-Received
- Listing of current grants being administered; ✓-Received
- Listing of all ongoing and planned capital and maintenance projects; ✓-Received
- List of current and proposed employees and contractors (including wage, all benefits, and titles for positions); and ✓-Received
- List and copies of all contractual agreements, including agreements for contract employees. ✓-Received

2. Open and maintain separate bank accounts for the following funds:

- Water/Sewer ✓-Done
- Sanitation ✓-In Process
- Gas ✓-Done
- General ✓-Done
- State Street Aid ✓-Done

**Updated Corrective Action Plan:**

The following items constitute an updated corrective action plan that must be followed until the fiscal year 2021 audit is filed and the fiscal year 2023 budget is approved. As stated above, once these milestones are accomplished, the Town will no longer be subject to heightened financial supervision pursuant to Tenn. Code Ann. § 9-21-403(c).

*Begin the Repayment of Restricted Monies on April 4, 2022:*

1. The Town will repay the \$258,220 estimated balance owed, as verified by the Division of Local Government Audit, within 27 months. Please note that this amount is subject to change when the FY21 audit is released and as we learn more about how payroll reimbursements from the General Fund to the Water and Sewer Fund have impacted the interfund balance.
2. Beginning April 4, 2022, the Town's General Fund will begin the new minimum monthly payment amount of \$9,564 to the Water and Sewer Fund. The monthly payment must be made before any other expenditures can be made. A copy of the payment check must be sent to the Comptroller's Office the following day.

*Recurring Submission Items Beginning April 4, 2022:*

1. A weekly expense approval request, as explained during our virtual workshop on March 21, 2022, including any planned financial transfers and other transactions between funds or bank accounts. The weekly expense approval request must include the following forms:
  - Spending Form (Excel File—Tabs 1 and 2 must be filled in)
  - Attestation Form (Fillable PDF)
  - Expense Approval Form (Fillable PDF—Must be filled out for each non-payroll expense over \$100)
2. Bank statements for every town account (account numbers redacted) at beginning of month.

**Rules:**

- Everything involving taxpayer/ratepayer monies (whether planned or new) must be reviewed and approved by the Comptroller of the Treasury prior to spending.
- Weekly expense approvals will be made in accordance with the Town’s legally adopted budget and only if cash is available.
- All new contracts or contract extensions shall be reviewed and approved by the Comptroller of the Treasury prior to execution.
- Grant applications requiring local matches must be reviewed and approved by the Comptroller of the Treasury prior to submission to the grant making agency.
- Financial transfers and other transactions between accounts must be reviewed and approved by the Comptroller of the Treasury prior to occurring.
- All planned and new purchases must be reviewed and approved by the Comptroller of the Treasury prior to spending.
- Additional requirements may be necessary to determine the current financial status of the Town at any given time.

If you should have questions or need assistance, please continue to contact our Office. If requested, we are pleased to assist the Town in the creation of its FY 2023 budget. We have also asked the Tennessee Municipal League and the Municipal Technical Advisory Service to provide assistance to the Town. We look forward to working with local officials to establish financial stability.

Very truly yours,



Betsy Knotts  
Director of the Division of Local Government Finance

cc: Mr. Jason Mumpower, Comptroller of Treasury  
Ms. Jean Suh, Local Government Audit, COT  
Mr. Ross Colona, Technical Secretary to the WWFB

Enclosures: Town of Mason Memo Dated March 21, 2022  
Approval Request Templates



## TOWN OF MASON MEMO

**To:** Mayor and Board of Aldermen of the Town of Mason  
**From:** Reva Marshall, Financial Officer, Town of Mason; Cortez & Ronda Hughey, Financial Consultants, Hughey's Debits & Credits LLC  
**CC:** Lureatha Harris, City Recorder, Town of Mason  
**Date:** March 21, 2022  
**Re:** Interfund Repayment Plan

Town of Mason (the "Town") received a letter from the Tennessee Comptroller of the Treasury (the "Comptroller's Office") on March 17, 2022, to exercise its authority to supervise the financial affairs of the Town to improve and correct its fiscal condition. The purpose of this memo is to describe the plans implemented by last two administrations who has committed to making repayments to avoid the improper and illegal use of transfer funds from enterprise funds to support general government operations. To show good faith with the Comptroller's Office, the Town has requested a meeting to discuss a written plan on Tuesday, March 22<sup>nd</sup>. The plan describes payments made after June 30, 2020, and the current implementation plan that **will pay** the balance within the allotted timeframe in the letter of 27 months.

**Current Plan: Pay \$10,100 per month until paid in full**

Interfund Payable as of June 30, 2020	\$597,905
Payments in FY21 (July 1, 2020 – June 30, 2021)	(\$84,315)
<u>Payment in FY22 as of February 28, 2022</u>	<u>(\$28,236)</u>
Remaining Balance as March 17, 2022	\$485,354

Proposed by Finance Team

- Anticipated payment (voted March 17, 2022) (\$227,134)
- Continue paying \$10,100 per month (\$258,220)
- Balance will be repaid in 26 months by **May 31, 2024**

Proposed by Comptroller's Office

- Anticipated payment (voted March 17, 2022) (\$227,134)
- Pay \$22,145 per month (\$258,220)
- Balance will be repaid in 12 months by **March 31, 2023**