

TOWN OF MASON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**TOWN OF MASON, TENNESSEE
TABLE OF CONTENTS**

Introductory Section

Directory 1

Financial Section

Independent Auditor’s Report 2
 Management’s Discussion and Analysis 5
 Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Position 10
 Statement of Activities 11
 Fund Financial Statements:
 Balance Sheet - Governmental Funds 13
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 14
 Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Governmental Funds 15
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities 16
 Statement of Net Position - Proprietary Funds 17
 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds 18
 Statement of Cash Flows - Proprietary Funds 20
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual - General Fund 22
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual - State Street Aid Fund 27
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual - Drug Fund 28

 Notes to the Financial Statements 29

Supplementary and Other Information Section

Schedule of Changes in Property Taxes Receivable 41
 Schedule of Utility Rates in Force 42
 Schedule of Long-term Debt – Governmental Funds 43
 Schedule of Long-term Debt – Proprietary Funds 44
 Schedule of Long-term Debt by Individual Issue 45
 Schedule of Expenditures of Federal Awards 46

Internal Control and Compliance Section

Independent Auditor’s Report on Internal Control over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of Financial
 Statements Performed in Accordance with *Government Auditing Standards* 47
 Schedule of Findings and Responses 49
 Schedule of Prior Year Findings 55

 Management’s Corrective Action Plan 56

INTRODUCTORY SECTION

TOWN OF MASON, TENNESSEE
DIRECTORY
June 30, 2019

ELECTED OFFICIALS

Emmitt Gooden, Mayor
Eddie Noeman, Vice Mayor
Virginia Rivers, Alderman
Keneko Claybon, Alderman
Carolyn Catron, Alderman
Sylvester Harvey, Alderman
Carl Somerville, Alderman

APPOINTED OFFICIALS

Reva Marshall, CMFO
Lureatha Harris, Town Recorder
Christopher Pate, Town Planner

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

The Mayor and Members of the Board of Aldermen
Town of Mason, Tennessee

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mason, Tennessee (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town of Mason, Tennessee, as of June 30, 2019, and respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary

comparison for the general fund, state street aid fund, and the drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information section, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2021 on our consideration of the Town of Mason's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mason's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
May 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Mason, we offer readers of the Town of Mason's financial statements this narrative overview and analysis of the financial activities of the Town of Mason for the fiscal year ended June 30, 2019. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Mason exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3.97 million (*net position*).
- As of the close of the current fiscal year, the Town of Mason's general fund reported an ending fund balance of (\$415) thousand, a decrease of \$165 thousand in comparison with the prior year.
- The Town of Mason's bonds outstanding decreased by \$26 thousand and capital outlay notes decreased by \$56 thousand during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Mason's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements and
3. Notes to the financial statements.
4. This report also contains supplementary and other information, required supplementary information, an introductory section, and an internal control and compliance section in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Mason's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the Town of Mason's assets, deferred outflows/inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Mason is improving or deteriorating.
- The Statement of Activities presents information showing how the Town of Mason's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town of Mason that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Mason include general government, public safety, public works, and debt service. The business-type activities of the Town of Mason include the water and sewer fund and natural gas fund. The government-wide financial statements can be found on pages 10 to 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mason, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Mason can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town of Mason's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 13 to 16 of this report.

The Town maintains three governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each fund which is considered to be a major fund.

Proprietary funds – There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Mason uses enterprise funds to account for the water and sewer fund and the natural gas fund.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town of Mason currently has no internal service funds.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the natural gas fund which are both considered to be major funds of the Town of Mason. The basic proprietary fund financial statements can be found on pages 17 to 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 to 40 of this report.

Other Information

Supplementary and other information is included in this report. The introductory section includes the directory and the supplementary and other information section includes supplementary schedules of selected financial and other information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Mason, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.97 million at the close of the most recent fiscal year. The largest portion of the Town's net position (79.03%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Mason uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mason's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 622,860	\$ 609,069	\$ 544,387	\$ 694,973	\$ 1,167,247	\$ 1,304,042
Internal balances	(649,541)	(452,143)	649,541	452,143	-	-
Capital assets	393,641	411,167	3,643,098	3,238,070	4,036,739	3,649,237
Total assets	<u>366,960</u>	<u>568,093</u>	<u>4,837,026</u>	<u>4,385,186</u>	<u>5,203,986</u>	<u>4,953,279</u>
Long-term liabilities	258,868	289,304	642,000	698,000	900,868	987,304
Other liabilities	5,995	46,760	100,194	52,143	106,189	98,903
Total liabilities	<u>264,863</u>	<u>336,064</u>	<u>742,194</u>	<u>750,143</u>	<u>1,007,057</u>	<u>1,086,207</u>
Deferred inflows of resources	<u>228,767</u>	<u>229,662</u>	-	-	<u>228,767</u>	<u>229,662</u>
Net position:						
Net investment in capital assets	134,773	126,453	3,001,098	2,540,070	3,135,871	2,666,523
Restricted for:						
Drug fund	14,752	11,586	-	-	14,752	11,586
State street aid	61,840	22,161	-	-	61,840	22,161
Unrestricted	(338,035)	(157,833)	1,093,734	1,094,973	755,699	937,140
Total net position	<u>\$ (126,670)</u>	<u>\$ 2,367</u>	<u>\$ 4,094,832</u>	<u>\$ 3,635,043</u>	<u>\$ 3,968,162</u>	<u>\$ 3,637,410</u>

A portion (1.93%) of the net position is restricted for use by the drug and state street aid funds. The remaining balance of net position represents unrestricted net position (19.04%). At the end of the current fiscal year, the Town of Mason is able to report positive balances in all categories of net position, both for the Town of Mason as a whole, as well as for its total governmental and total business-type activities.

During the current fiscal year, the Town's capital assets increased by \$388 thousand which was primarily due to the grant projects in the Water/Sewer fund.

Statement of Activities – Expenses in governmental activities exceeded program revenues by \$711 thousand. In the business-type activities, program revenues exceeded expenses by \$538 thousand. General government revenues of \$582 thousand offset the deficit leaving a change in net position of (\$129) thousand. Other business type income of \$1 thousand contributed to the net income of \$539 thousand.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 254,501	\$ 322,304	\$ 1,233,097	\$ 1,417,916	\$ 1,487,598	\$ 1,740,220
Capital grants and contributions	-	-	498,546	40,905	498,546	40,905
General revenues:						
Property taxes	242,046	246,863	-	-	242,046	246,863
Other taxes	244,763	256,170	-	-	244,763	256,170
Other sources	94,810	56,714	1,112	520	95,922	57,234
Total revenues	<u>\$ 836,120</u>	<u>\$ 882,051</u>	<u>\$ 1,732,755</u>	<u>\$ 1,459,341</u>	<u>\$ 2,568,875</u>	<u>\$ 2,341,392</u>
Expenses:						
General government	\$ 346,382	\$ 331,728	\$ -	\$ -	\$ 346,382	\$ 331,728
Public safety	579,111	562,693	-	-	579,111	562,693
Public works	27,095	47,837	-	-	27,095	47,837
Debt service	12,569	13,140	-	-	12,569	13,140
Water and Sewer	-	-	711,547	636,793	711,547	636,793
Natural gas	-	-	481,899	533,526	481,899	533,526
Total expenses	<u>965,157</u>	<u>955,398</u>	<u>1,193,446</u>	<u>1,170,319</u>	<u>2,158,603</u>	<u>2,125,717</u>
Change in net position	(129,037)	(73,347)	539,309	289,022	410,272	215,675
Net position - beginning	2,367	75,714	3,635,043	3,346,021	3,637,410	3,421,735
Prior period adjustment	-	-	(79,520)	-	(79,520)	-
Net position - beginning - restated	2,367	75,714	3,555,523	3,346,021	3,557,890	3,421,735
Net position - ending	<u>\$ (126,670)</u>	<u>\$ 2,367</u>	<u>\$ 4,094,832</u>	<u>\$ 3,635,043</u>	<u>\$ 3,968,162</u>	<u>\$ 3,637,410</u>

COMMENTS ON FUND FINANCIAL STATEMENTS

Governmental funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund accounts for approximately 93% of governmental fund revenues excluding other financing sources. Accordingly this discussion will focus on the general fund. General fund balance was (\$415) thousand at the end of the current fiscal year.

Revenues in the general fund decreased from last year by \$3 thousand due to court fines decreasing by \$46 thousand and other revenue increasing by \$45 thousand.

A budget comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds – The Town of Mason's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of proprietary funds at the end of the year amounted to \$1.09 million. The total increase in net position for these funds was \$539 thousand. The net change was primarily due to capital contributions in the water and sewer fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were less than budgeted amounts by \$405 thousand. Significant variances are as follows:

- Wholesale beer tax were budgeted for \$35 thousand, however there were no revenues recorded in the general fund.
- State – gas and petroleum tax were budgeted for \$55 thousand, however there were no revenues recorded in the general fund.
- TDHA grant revenues were budgeted for \$350 thousand, however there were no revenues recorded in the general fund that was specific to this line item.
- Fine – city court were under the budgeted amount by \$17 thousand.

Expenditures were under budget by \$201 thousand in the current year. General Government expenses were under budget by \$235 thousand. Public safety expenses were over budget by \$38 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2019, the Town had invested \$4.04 million net of accumulated depreciation in a variety of capital assets and infrastructure. The most significant additions amounted to \$516 thousand related to the Community Development Block Grant projects in the Water and Sewer fund.

Long-term debt – At the end of the current fiscal year, the Town of Mason had total debt outstanding of \$901 thousand. The entire amount is debt backed by the full faith and credit of the Town of Mason. Additional information on the Town of Mason’s long-term debt can be found in Note 4E on pages 38 through 39 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Mason's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town of Mason's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, Town of Mason, 12157 Main Street, Mason, TN 38049.

BASIC FINANCIAL STATEMENTS

TOWN OF MASON, TENNESSEE
STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	258,810	225,111	483,921
Certificates of deposit	2,595	118,132	120,727
Receivables:			
Taxes (net of allowances)	244,371	-	244,371
Accounts - Sanitation	6,698	-	6,698
Accounts - other (net of allowances)	639	112,390	113,029
Accounts - court fines (net of allowances)	61,591	-	61,591
Intergovernmental - nongrant	48,156	-	48,156
Grants	-	59,984	59,984
Internal balances	(649,541)	649,541	-
Inventories	-	28,770	28,770
Capital assets (not being depreciated):			
Land	-	92,708	92,708
Construction in progress	-	2,121,723	2,121,723
Other capital assets, net of depreciation	393,641	1,428,667	1,822,308
Total assets	<u>366,960</u>	<u>4,837,026</u>	<u>5,203,986</u>
Liabilities			
Accounts payable	-	61,827	61,827
Accrued expenses	5,995	14,217	20,212
Customer deposits	-	24,150	24,150
Due within one year	26,484	58,000	84,484
Due in more than one year	232,384	584,000	816,384
Total liabilities	<u>264,863</u>	<u>742,194</u>	<u>1,007,057</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	228,767	-	228,767
Total deferred inflows of resources	<u>228,767</u>	<u>-</u>	<u>228,767</u>
Net Position			
Net investment in capital assets	134,773	3,001,098	3,135,871
Restricted:			
Drug enforcement	14,752	-	14,752
State Street Aid	61,840	-	61,840
Unrestricted	(338,035)	1,093,734	755,699
Total net position	<u>(126,670)</u>	<u>4,094,832</u>	<u>3,968,162</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government:						
Legislative	12,300	-	-	(12,300)	-	(12,300)
Financial administration	266,420	78,634	-	(187,786)	-	(187,786)
Other	67,662	-	-	(67,662)	-	(67,662)
Public safety:						
Police	521,560	3,150	-	(518,410)	-	(518,410)
Fire	57,551	-	-	(57,551)	-	(57,551)
Inspection/Planning	-	703	-	703	-	703
Drug court	-	112,313	-	112,313	-	112,313
Public works:						
Street department	-	3,195	-	3,195	-	3,195
State street aid	27,095	56,506	-	29,411	-	29,411
Debt service:						
Interest	12,569	-	-	(12,569)	-	(12,569)
Total governmental activities	<u>965,157</u>	<u>254,501</u>	<u>-</u>	<u>(710,656)</u>	<u>-</u>	<u>(710,656)</u>
Business-type activities:						
Water & sewer	711,547	717,985	498,546	-	504,984	504,984
Natural gas	481,899	515,112	-	-	33,213	33,213
Total business-type activities	<u>1,193,446</u>	<u>1,233,097</u>	<u>498,546</u>	<u>-</u>	<u>538,197</u>	<u>538,197</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
General revenues:							
Property taxes - levied for general government					\$ 222,992	\$ -	\$ 222,992
In lieu of property taxes - other governments					19,054	-	19,054
Sales taxes					212,971	-	212,971
Beer taxes					24,356	-	24,356
Business taxes					5,953	-	5,953
Other sources					94,482	-	94,482
Unrestricted interest income					269	1,112	1,381
Total general revenues					<u>581,619</u>	<u>1,112</u>	<u>582,731</u>
Changes in net position					(129,037)	539,309	410,272
Net position - beginning					2,367	3,635,043	3,637,410
Prior period adjustment					-	(79,520)	(79,520)
Total net position - beginning (restated)					<u>2,367</u>	<u>3,555,523</u>	<u>3,557,890</u>
Net position - ending					<u>\$ (126,670)</u>	<u>\$ 4,094,832</u>	<u>\$ 3,968,162</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	State Street Aid Fund	Drug Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	246,072	2,446	10,292	258,810
Certificates of deposit	2,595	-	-	2,595
Receivables:				
Taxes (net of allowance for uncollectibles of \$15,875)	244,371	-	-	244,371
Accounts - other	639	-	-	639
Accounts - Sanitation	6,698			6,698
Accounts - court fines (net of allowance for uncollectibles of \$61,591)	61,591	-	-	61,591
Intergovernmental	48,156	-	-	48,156
Due from other funds	-	59,656	4,460	64,116
Total assets	610,122	62,102	14,752	686,976
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accrued expenses	5,995	-	-	5,995
Due to other funds	713,395	262	-	713,657
Total liabilities	719,390	262	-	719,652
Deferred inflows of resources				
Unavailable property taxes	244,371	-	-	244,371
Unavailable court fines	61,591	-	-	61,591
Total deferred inflows of resources	305,962	-	-	305,962
Fund balances:				
Restricted for:				
Drug fund	-	-	14,752	14,752
State Street Aid	-	61,840	-	61,840
Unassigned	(415,230)	-	-	(415,230)
Total fund balances	(415,230)	61,840	14,752	(338,638)
Total liabilities, deferred inflows of resources, and fund balances	610,122	62,102	14,752	686,976

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Amounts reported for the governmental activities in the statement of net position (Page 10) are different because:

Fund balance - total governmental funds (Page 13)	\$	(338,638)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		393,641
Receivables not available to pay for current expenditures and, therefore, are unavailable in the funds		77,195
Long-term liabilities, including notes, bonds payable, and compensated absences, are not due in the current period and, therefore, are not reported in the funds		<u>(258,868)</u>
Net position of governmental activities (Page 10)	\$	<u>(126,670)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	General Fund	State Street Aid Fund	Drug Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 330,675	\$ -	\$ -	\$ 330,675
Licenses and permits	1,933	-	-	1,933
Intergovernmental	169,008	56,506	-	225,514
Charges for services	78,304	-	3,150	81,454
Fines	122,564	-	-	122,564
Other	93,831	4	16	93,851
Total revenues	<u>796,315</u>	<u>56,510</u>	<u>3,166</u>	<u>855,991</u>
Expenditures:				
Current:				
General government:				
Legislative	12,300	-	-	12,300
Financial administration	257,748	-	-	257,748
Other	73,661	-	-	73,661
Total general government	<u>343,709</u>	<u>-</u>	<u>-</u>	<u>343,709</u>
Public safety:				
Police	521,560	-	-	521,560
Fire	57,551	-	-	57,551
Total public safety	<u>579,111</u>	<u>-</u>	<u>-</u>	<u>579,111</u>
Public works:				
State street aid	-	16,831	-	16,831
Total public works	<u>-</u>	<u>16,831</u>	<u>-</u>	<u>16,831</u>
Debt service:				
Principal	25,846	-	-	25,846
Interest	12,569	-	-	12,569
Total debt service	<u>38,415</u>	<u>-</u>	<u>-</u>	<u>38,415</u>
Total expenditures	<u>961,235</u>	<u>16,831</u>	<u>-</u>	<u>978,066</u>
Net changes in fund balance	(164,920)	39,679	3,166	(122,075)
Fund balance - beginning	<u>(250,310)</u>	<u>22,161</u>	<u>11,586</u>	<u>(216,563)</u>
Fund balance - ending	<u>\$ (415,230)</u>	<u>\$ 61,840</u>	<u>\$ 14,752</u>	<u>\$ (338,638)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MASON, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2019

Amounts reported for the governmental activities in the statement of activities (Pages 11 and 12) are different because:

Net change in fund balance - total governmental funds (Page 15)	\$ (122,075)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	(17,526)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(19,872)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	25,846
Some expenses reported in the statement of activities, such as accrued leave adjustments, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>4,590</u>
Change in net position of governmental activities (Page 12)	<u>\$ (129,037)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	214,234	10,877	225,111
Certificates of deposit	-	118,132	118,132
Receivables:			
Accounts	66,655	45,735	112,390
Grants receivable	59,984	-	59,984
Due from other funds	587,984	304,838	892,822
Inventories	-	28,770	28,770
Total current assets	928,857	508,352	1,437,209
Capital assets:			
Land	92,708	-	92,708
Construction in process	2,073,172	48,551	2,121,723
Capital assets, net of accumulated depreciation	1,033,282	395,385	1,428,667
Total capital assets	3,199,162	443,936	3,643,098
Total assets	4,128,019	952,288	5,080,307
Liabilities			
Current liabilities (payable from current assets):			
Accounts payable	61,827	-	61,827
Accrued expenses	14,217	-	14,217
Customer deposits	20,850	3,300	24,150
Due to other funds	243,281	-	243,281
Current maturities of long-term debt	29,000	29,000	58,000
Total current liabilities (payable from current assets)	369,175	32,300	401,475
Noncurrent liabilities:			
Notes payable	292,000	292,000	584,000
Total noncurrent liabilities	292,000	292,000	584,000
Total liabilities	661,175	324,300	985,475
Net position:			
Net investment in capital assets	2,878,162	122,936	3,001,098
Unrestricted	588,682	505,052	1,093,734
Total net position	3,466,844	627,988	4,094,832
Total liabilities and net position	4,128,019	952,288	5,080,307

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
Operating revenues:			
Utility sales	687,896	503,626	1,191,522
Penalties	5,059	5,785	10,844
Taps and lines	25,030	5,700	30,730
Miscellaneous	-	1	1
Total operating revenues	<u>717,985</u>	<u>515,112</u>	<u>1,233,097</u>
Operating expenses:			
Natural gas purchases	-	150,231	150,231
Salaries and wages	182,399	116,587	298,986
Payroll taxes	13,081	5,032	18,113
Advertising and publications	360	45	405
Postage	5,877	3,671	9,548
Dues and fees	6,309	2,679	8,988
Legal and accounting	37,405	42,074	79,479
Repairs and maintenance	61,639	460	62,099
Equipment	44,075	3,997	48,072
Supplies	46,706	21,190	67,896
Lab expense	25,773	-	25,773
Gas and oil	7,613	8,682	16,295
Insurance	50,294	9,935	60,229
Engineering fees	22,027	-	22,027
Internet and network	6,267	824	7,091
Utilities	80,639	69,885	150,524
Computer and software	369	369	738
Professional fees - grant	10,495		10,495
Uniforms	4,665	4,380	9,045
Bank service charges	784	-	784
Travel	994	-	994
Training	1,465	-	1,465
Miscellaneous	7,678	18,528	26,206
Depreciation	91,108	19,805	110,913
Total operating expenses	<u>708,022</u>	<u>478,374</u>	<u>1,186,396</u>
Operating income (loss)	<u>9,963</u>	<u>36,738</u>	<u>46,701</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
Nonoperating revenues (expenses):			
Interest and other income	107	1,005	1,112
Interest and other expense	<u>(3,525)</u>	<u>(3,525)</u>	<u>(7,050)</u>
Total nonoperating revenues (expenses)	<u>(3,418)</u>	<u>(2,520)</u>	<u>(5,938)</u>
Income (loss) before transfers and contributions	6,545	34,218	40,763
Transfers and capital contributions:			
Capital contributions - grant	<u>498,546</u>	<u>-</u>	<u>498,546</u>
Total transfers and capital contributions	<u>498,546</u>	<u>-</u>	<u>498,546</u>
Change in net position	<u>505,091</u>	<u>34,218</u>	<u>539,309</u>
Total net position - beginning	2,970,145	664,898	3,635,043
Prior period adjustment	<u>(8,392)</u>	<u>(71,128)</u>	<u>(79,520)</u>
Total net position - beginning (restated)	<u>2,961,753</u>	<u>593,770</u>	<u>3,555,523</u>
Total net position - ending	<u>3,466,844</u>	<u>627,988</u>	<u>4,094,832</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Cash received from consumers	\$ 706,451	\$ 509,766	\$ 1,216,217
Cash paid to suppliers of goods & services	(358,990)	(355,943)	(714,933)
Cash paid to employees for services	(195,480)	(121,619)	(317,099)
Cash received (paid) for customer deposits	3,500	1,100	4,600
Fluctuations in interfund balances	<u>(42,697)</u>	<u>(154,701)</u>	<u>(197,398)</u>
Net cash provided (used) by operating activities	<u>112,784</u>	<u>(121,397)</u>	<u>(8,613)</u>
Cash flows from capital and related financing activities:			
Capital contributed by consumers and grants	438,562	-	438,562
Principal paid on debt	(28,000)	(28,000)	(56,000)
Interest paid on bonds, notes and leases	(3,525)	(3,525)	(7,050)
Construction and acquisition of capital assets	<u>(515,941)</u>	<u>-</u>	<u>(515,941)</u>
Net cash provided (used) by capital and related financing activities	<u>(108,904)</u>	<u>(31,525)</u>	<u>(140,429)</u>
Cash flows from investing activities:			
Purchase of investments	-	(911)	(911)
Interest and other revenues	<u>107</u>	<u>1,005</u>	<u>1,112</u>
Net cash provided (used) by investing activities	<u>107</u>	<u>94</u>	<u>201</u>
Net increase (decrease) in cash and cash equivalents	3,987	(152,828)	(148,841)
Cash and cash equivalents - beginning	<u>210,247</u>	<u>163,705</u>	<u>373,952</u>
Cash and cash equivalents - ending	<u>\$ 214,234</u>	<u>\$ 10,877</u>	<u>\$ 225,111</u>
Cash and cash equivalents			
Unrestricted cash and cash equivalents on deposit	<u>214,234</u>	<u>10,877</u>	<u>225,111</u>
Total cash and cash equivalents	<u>\$ 214,234</u>	<u>\$ 10,877</u>	<u>\$ 225,111</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 9,963	\$ 36,738	\$ 46,701
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	91,108	19,805	110,913
Changes in assets and liabilities:			
Accounts receivable	(11,534)	(5,346)	(16,880)
Due from other funds	(220,335)	(143,871)	(364,206)
Accounts payable and accrued expenses	62,444	(18,993)	43,451
Customer deposits	3,500	1,100	4,600
Due to other funds	177,638	(10,830)	166,808
Net cash provided (used) by operating activities	\$ 112,784	\$ (121,397)	\$ (8,613)

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS
BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Property tax current	\$ 220,000	\$ 220,000	\$ 214,400	\$ (5,600)
Property taxes delinquent	10,000	10,000	17,760	7,760
Property tax penalty and interest	1,000	1,000	452	(548)
Local sales tax	89,500	89,500	67,543	(21,957)
Telecommunications sales tax	1,000	1,000	897	(103)
Wholesale beer tax	35,000	35,000	-	(35,000)
Local beer tax	7,300	7,300	23,611	16,311
Local liquor tax	10,000	10,000	-	(10,000)
Business tax	300	300	5,953	5,653
Business license	1,400	1,400	-	(1,400)
Cable TV franchise fee	10,000	10,000	59	(9,941)
	<u>385,500</u>	<u>385,500</u>	<u>330,675</u>	<u>(54,825)</u>
Licenses and permits:				
Beer licenses	-	-	900	900
Business permits	500	500	-	(500)
Plumbing permits	500	500	-	(500)
Beer permits	2,000	2,000	-	(2,000)
Burn permits	150	150	-	(150)
Building permits	300	300	703	403
Mechanical permits	150	150	-	(150)
Other licenses and permits	100	100	330	230
	<u>3,700</u>	<u>3,700</u>	<u>1,933</u>	<u>(1,767)</u>
Intergovernmental:				
State - TVA in lieu of tax	18,000	18,000	19,054	1,054
State - sales tax	145,000	145,000	144,531	(469)
State - income tax	1,300	1,300	-	(1,300)
State - beer tax	1,000	1,000	745	(255)
State - petroleum special fee	500	500	3,195	2,695
State - gas and petroleum tax	55,000	55,000	-	(55,000)
State - business tax	500	500	-	(500)
Police grants	5,000	5,000	-	(5,000)
TDHA grants	350,000	350,000	-	(350,000)
State - excise tax	-	-	1,483	1,483
	<u>576,300</u>	<u>576,300</u>	<u>169,008</u>	<u>(407,292)</u>
Charges for services:				
Sanitation income	72,000	72,000	78,304	6,304
	<u>72,000</u>	<u>72,000</u>	<u>78,304</u>	<u>6,304</u>
Fines:				
Fines - city court	140,000	140,000	122,564	(17,436)
	<u>140,000</u>	<u>140,000</u>	<u>122,564</u>	<u>(17,436)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS
BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Other:				
Interest	100	100	249	149
Faxes and copies	500	500	553	53
Miscellaneous	23,000	23,000	93,029	70,029
	23,600	23,600	93,831	70,231
 Total revenues	 1,201,100	 1,201,100	 796,315	 (404,785)
Expenditures:				
Current:				
General government:				
Legislative:				
Salary	16,350	16,350	5,100	(11,250)
Aldermen	7,200	7,200	7,200	-
	23,550	23,550	12,300	(11,250)
Financial administration:				
Salary	26,050	26,050	89,994	63,944
OASI	11,000	11,000	47,529	36,529
Advertising	3,500	3,500	2,862	(638)
Local planning assistance	1,500	1,500	-	(1,500)
Professional service	100	100	34,525	34,425
Office supplies	9,000	9,000	16,773	7,773
Security	500	500	133	(367)
Sanitation expense	62,300	62,300	55,727	(6,573)
Capital outlay	7,000	7,000	10,205	3,205
	120,950	120,950	257,748	136,798
Other:				
Bank charges	200	200	140	(60)
Building inspection	250	250	-	(250)
Community outreach	500	500	-	(500)
Computer and software	5,000	5,000	-	(5,000)
Publicity, subscriptions, and dues	500	500	744	244
Equipment rental	3,000	3,000	3,205	205
Grant construction	329,000	329,000	-	(329,000)
Grant engineering	21,000	21,000	-	(21,000)
Insurance	8,600	8,600	28,505	19,905
Internet - network	1,500	1,500	369	(1,131)

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS
BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
Janitorial services	-	-	4,354	4,354
Other charges	1,500	1,500	4,708	3,208
Postage	700	700	3,328	2,628
Professional fees - accounting	10,500	10,500	-	(10,500)
Professional fees - audit	17,000	17,000	-	(17,000)
Professional fees - legal	6,000	6,000	-	(6,000)
Professional fees - other	3,000	3,000	-	(3,000)
Property tax expenditures	400	400	648	248
Repair and maintenance	900	900	833	(67)
Telephone	5,000	5,000	-	(5,000)
Training	1,000	1,000	1,207	207
Travel	4,000	4,000	748	(3,252)
Utilities	15,000	15,000	24,872	9,872
	<u>434,550</u>	<u>434,550</u>	<u>73,661</u>	<u>(360,889)</u>
 Total general government	<u>579,050</u>	<u>579,050</u>	<u>343,709</u>	<u>(235,341)</u>
 Public safety:				
Police:				
Salary	282,000	282,000	269,360	(12,640)
Overtime	10,000	10,000	44,705	34,705
OASI	32,650	32,650	40,274	7,624
Police towing expense	-	-	2,479	2,479
Advertising	300	300	-	(300)
Building rental	8,400	8,400	-	(8,400)
Publicity, subscriptions, and dues	1,500	1,500	35	(1,465)
Utility services	1,500	1,500	15,159	13,659
Professional services	9,200	9,200	5,144	(4,056)
Building repair and maintenance	500	500	233	(267)
Vehicle repair and maintenance	3,000	3,000	3,441	441
Machinery repair and maintenance	1,500	1,500	54	(1,446)
Equipment rental	2,000	2,000	8,923	6,923
Towing/wrecker	2,400	2,400	-	(2,400)
Travel	2,000	2,000	885	(1,115)
Training	2,000	2,000	6,600	4,600
Internet-network	1,500	1,500	-	(1,500)
Medical and drug testing	1,000	1,000	-	(1,000)
911 expense	30,000	30,000	24,215	(5,785)
Forms and publications	500	500	-	(500)
Telephone	3,000	3,000	785	(2,215)
Supplies	5,000	5,000	1,635	(3,365)
Equipment	5,000	5,000	6,252	1,252

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDC
BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
Software	21,500	21,500	19,253	(2,247)
Radios	500	500	-	(500)
Clothing and uniforms	1,000	1,000	5,951	4,951
Gas, oil, diesel fuel, and grease	12,000	12,000	16,949	4,949
Insurance	42,000	42,000	49,228	7,228
	<u>481,950</u>	<u>481,950</u>	<u>521,560</u>	<u>39,610</u>
Fire:				
Salary	22,000	22,000	22,256	256
OASI	2,000	2,000	1,657	(343)
Advertising	150	150	-	(150)
Publicity, subscriptions, and dues	-	-	50	50
Utility services	3,300	3,300	9,355	6,055
Repairs and maintenance	-	-	3,918	3,918
Machinery repair and maintenance	3,550	3,550	-	(3,550)
Travel	500	500	538	38
Training	1,000	1,000	300	(700)
Internet-network	1,200	1,200	-	(1,200)
Miscellaneous	500	500	504	4
Towing/wrecker	150	150	325	175
Operating supplies	7,000	7,000	2,857	(4,143)
Telephone	1,500	1,500	6,950	5,450
Clothing and uniforms	1,100	1,100	2,240	1,140
Gas, oil, diesel fuel, and grease	1,000	1,000	1,248	248
Grant expense	-	-	221	221
Insurance	5,000	5,000	5,132	132
Capital outlay	9,000	9,000	-	(9,000)
	<u>58,950</u>	<u>58,950</u>	<u>57,551</u>	<u>(1,399)</u>
Total public safety	<u>540,900</u>	<u>540,900</u>	<u>579,111</u>	<u>38,211</u>
Health, culture, welfare, and recreation				
Parks and recreation:				
Utility services	700	700	-	(700)
Repairs and maintenance	500	500	-	(500)
Operating supplies	500	500	-	(500)
Equipment	2,000	2,000	-	(2,000)
Insurance	350	350	-	(350)
	<u>4,050</u>	<u>4,050</u>	<u>-</u>	<u>(4,050)</u>
Total health, culture, welfare, and recreation	<u>4,050</u>	<u>4,050</u>	<u>-</u>	<u>(4,050)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Over (Under)
	<u>Original</u>	<u>Final</u>		
Debt service:				
Principal	23,200	23,200	25,846	2,646
Interest	15,200	15,200	12,569	(2,631)
	<u>38,400</u>	<u>38,400</u>	<u>38,415</u>	<u>15</u>
 Total expenditures	 <u>1,162,400</u>	 <u>1,162,400</u>	 <u>961,235</u>	 <u>(201,165)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>38,700</u>	 <u>38,700</u>	 <u>(164,920)</u>	 <u>(203,620)</u>
 Other financing sources (uses):				
Transfer out	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>	<u>38,000</u>
Total other financing sources (uses):	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>	<u>38,000</u>
 Net changes in fund balance	 <u>\$ 700</u>	 <u>\$ 700</u>	 <u>(164,920)</u>	 <u>\$ (165,620)</u>
 Fund balance - beginning			 (250,310)	
 Fund balance - ending			 <u>\$ (415,230)</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
STATE STREET AID FUND

For the Fiscal Year Ended June 30, 2019

Revenues:	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
Intergovernmental revenues:				
State gas and motor fuel tax	\$ 55,000	\$ 55,000	30,466	\$ (24,534)
1989 gas tax	-	-	4,860	4,860
2017 gas tax	-	-	12,174	12,174
3 cent gas tax	-	-	9,006	9,006
	55,000	55,000	56,506	1,506
Other revenues:				
Interest	100	100	4	(96)
Total revenues	55,100	55,100	56,510	1,410
Expenditures:				
Street maintenance	20,000	20,000	-	(20,000)
Street lighting	30,000	30,000	6,218	(23,782)
Repairs and maintenance	1,100	1,100	3,108	2,008
Supplies	-	-	6,807	6,807
Utilities	-	-	498	498
Postage	-	-	200	200
Total expenditures	51,100	51,100	16,831	(34,269)
Net changes in fund balance	\$ 4,000	\$ 4,000	39,679	\$ 35,679
Fund balance - beginning			22,161	
Fund balance - ending			61,840	

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
DRUG FUND

For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance-
Revenues:	Original	Final	Actual	Over (Under)
Charges for services:				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Revenues from seizures	-	-	2,200	2,200
Storage	3,000	3,000	950	(2,050)
	8,000	8,000	3,150	(4,850)
Other:				
Interest	10	10	16	6
	10	10	16	6
Total revenues	8,010	8,010	3,166	(4,844)
Expenditures:				
Towing	3,000	3,000	-	(3,000)
Equipment	1,000	1,000	-	(1,000)
Supplies	205	205	-	(205)
Undercover operations	300	300	-	(300)
Total expenditures	4,505	4,505	-	(4,505)
Net changes in fund balance	\$ 3,505	\$ 3,505	3,166	\$ (339)
Fund balance - beginning			11,586	
Fund balance - ending			\$ 14,752	

The accompanying notes are an integral part of these financial statements.

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Mason, Tennessee (the Town) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection and planning), street maintenance, sanitation, water and sewerage, natural gas services, and general administrative services.

The accounting policies of the Town conform to generally accepted accounting principles applicable to a government as defined in the Statements of Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the entire reporting entity of the Town. Based on the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has no component units required to be reported.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. However, grant revenues are considered available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (sixty days). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (120 days). An unavailable amount is recognized for the portion of those revenues that are not available within 120 days of the close of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The State Street Aid fund accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.

The Police Drug fund accounts for revenues and expenditures on drug fines and enforcement costs.

The Town reports the following major proprietary funds:

The Water and Sewer fund accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations, and collection system.

The Gas fund accounts for the natural gas operations of the Town.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the natural gas fund are charges for sales to customers for service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit and other time deposits with a term of less than three months. State statutes authorize the Town to invest in certificates of deposit, obligations of the U. S. Treasury, agencies and instrumentalities, obligations guaranteed by the U. S. Government or its agencies, repurchase agreements, and the state's investment pool.

Investments for the Town are reported at fair value and consist of certificates of deposit totaling \$121 thousand as of June 30, 2019.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections.

The Town has not estimated any allowances for uncollectible accounts receivable. Bad debts in the proprietary funds are recorded by the direct write-off method.

Property taxes are levied and the tax bills are mailed annually on October 1. The taxes are due and payable from October through February in the year succeeding the tax levy. A lien attaches by statute to property on January 1. Taxes uncollected by March 1, the year after they are due, are considered delinquent, and are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Inventories and Prepaid Items

Inventories are valued at lower of average cost or market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Restricted Assets

The Town's proprietary funds along with the governmental funds elect to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town does not have a policy specifying monetary amounts for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight line method over the following useful lives:

Buildings	10 - 40 years
Plant	10 - 40 years
Equipment	5 - 15 years
Vehicles	5 years

Compensated Absences

The employees earn vacation days on a calendar year basis without the option to carry over unused hours, unless in case of a Town emergency approved by the Mayor and Vice Mayor. Employees are reimbursed for current accrued vacation up to a maximum of 15 days in the event of termination.

All Town employees' sick leave accumulation is limited to 90 days. Employees are reimbursed for current accrued sick up to a maximum of 90 days in the event of termination.

The liability for compensated absences of \$585 is recorded at June 30, 2019. This amount is included in accrued expenses in the Water and Sewer fund.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The item that qualifies for reporting as deferred inflows of resources in the fund statements is unavailable revenue and is disclosed on pages 13 and 35. In the government-wide statements, deferred revenue – property taxes as noted on pages 10 and 35 are reported as deferred inflows of resources.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Equity

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town’s highest level of decision making authority, the Board of Aldermen. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned fund balance

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board or its designee, the Recorder, has the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

amounts in the governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed.

Unassigned fund balance

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this (\$17,526) difference are as follows:

Capital outlay meeting threshold criteria	\$ 6,000
Depreciation expense	<u>(23,526)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (17,526)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end.

The Town's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board of Aldermen. This policy reflects the legal level of control at which expenditures may not exceed appropriations.

As an extension of the budgetary process, the Town Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted Board approvals.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Investments were made up of certificates of deposits with a maturity of greater than three months for the fiscal year ended June 30, 2019.

Custodial Credit Risk

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2019, none of the Town's deposits were exposed to custodial credit risk.

B. Receivables

Receivables as of the year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer Fund	Natural Gas Fund	Total
Receivables:				
Property taxes	\$ 260,246	\$ -	\$ -	\$ 260,246
Accounts	639	66,655	45,735	113,029
Accounts - sanitation	6,698	-	-	6,698
Accounts - court fines	123,182	-	-	123,182
Intergovernmental	48,156	-	-	48,156
Grants	-	59,984	-	59,984
Gross receivables	438,921	126,639	45,735	611,295
Less: Allowance for uncollectibles	(77,466)	-	-	(77,466)
Net total receivables	<u>\$ 361,455</u>	<u>\$ 126,639</u>	<u>\$ 45,735</u>	<u>\$ 533,829</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of unavailable revenue reported in the governmental funds were as follows:

	Unavailable	Unavailable/ Unearned	Total
Delinquent property taxes receivable	\$ 15,604	\$ -	\$ 15,604
2019 property tax assessment	-	228,767	228,767
Court fines receivable	61,591	-	61,591
Total deferred revenue for governmental funds	<u>\$ 77,195</u>	<u>\$ 228,767</u>	<u>\$ 305,962</u>

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated				
Buildings	\$ 127,692	\$ -	\$ -	\$ 127,692
Equipment	460,861	6,000	-	466,861
Improvements	443,995	-	-	443,995
Total capital assets, being depreciated	<u>1,032,548</u>	<u>6,000</u>	<u>-</u>	<u>1,038,548</u>
Less accumulated depreciation for:				
Buildings	95,005	3,056	-	98,061
Equipment	449,362	8,940	-	458,302
Improvements	77,014	11,530	-	88,544
Total accumulated depreciation	<u>621,381</u>	<u>23,526</u>	<u>-</u>	<u>644,907</u>
Total capital assets, being depreciated, net	<u>411,167</u>	<u>(17,526)</u>	<u>-</u>	<u>393,641</u>
Governmental activities capital assets, net	<u>\$ 411,167</u>	<u>\$ (17,526)</u>	<u>\$ -</u>	<u>\$ 393,641</u>

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 92,708	\$ -	\$ -	\$ 92,708
Construction in progress	1,605,782	515,941	-	2,121,723
Total capital assets not being depreciated	<u>1,698,490</u>	<u>515,941</u>	<u>-</u>	<u>2,214,431</u>
Capital assets, being depreciated				
Buildings	153,483	-	-	153,483
Equipment	42,632	-	-	42,632
Plant	4,389,747	-	-	4,389,747
Total capital assets being depreciated	<u>4,585,862</u>	<u>-</u>	<u>-</u>	<u>4,585,862</u>
Less accumulated depreciation for:				
Buildings	53,678	4,107	-	57,785
Equipment	30,362	4,622	-	34,984
Plant	2,962,242	102,184	-	3,064,426
Total accumulated depreciation	<u>3,046,282</u>	<u>110,913</u>	<u>-</u>	<u>3,157,195</u>
Total capital assets, being depreciated, net	<u>1,539,580</u>	<u>(110,913)</u>	<u>-</u>	<u>1,428,667</u>
Total business-type capital assets, net	<u>3,238,070</u>	<u>405,028</u>	<u>-</u>	<u>3,643,098</u>
Total capital assets, net	<u>\$ 3,649,237</u>	<u>\$ 387,502</u>	<u>\$ -</u>	<u>\$ 4,036,739</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	
Financial administration	10,206
Public safety	
Police	3,056
Public works	
Street department	10,264
Total depreciation expense - governmental activities	<u>23,526</u>
Business-type activities:	
Water and sewer	
Charged to operations	91,108
Natural gas	
Charged to operations	19,805
Total depreciation expense - business-type activities	<u>110,913</u>
Total depreciation	<u>\$ 134,439</u>

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
Gas Fund	General	\$ 41,232
Gas Fund	Water/Sewer	263,606
Street Aid	General	59,656
Water/Sewer	General	608,047
Water/Sewer	Street Aid	262
Drug Fund	General	4,460
Total		977,263
Governmental activities eliminated		(64,116)
Proprietary activities eliminated		(263,606)
Total		\$ 649,541

Transactions arising from utility services are recorded in the Due from Gas Fund and Due to Water and Sewer Fund. The other amounts recorded as interfund receivables are for prior years' transactions which should have already been eliminated and for current year expenditures which were paid by the wrong funds.

E. Long-term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

General Obligation Bonds:

RUS general obligation bond, due in monthly installment of \$733,
dated March 12, 2007, interest at 4.5% \$ 24,694

RUS general obligation bond, due in annual installments of \$29,599,
dated December 2, 2008, interest at 4.5% 234,174

Tennessee Municipal Bond Fund Loan, shared by enterprise funds, payable
in annual installments through 2028, dated April 26, 2001, with
a variable interest rate 642,000

Total long-term debt \$ 900,868

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of June 30, 2019, are as follows:

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Year ending June 30	Principal	Interest	Total
2020	84,484	18,715	103,199
2021	88,676	16,951	105,627
2022	92,876	15,105	107,981
2023	91,205	13,218	104,423
2024	93,730	10,817	104,547
2025-2029	449,897	26,327	476,224
	<u>\$ 900,868</u>	<u>\$ 101,133</u>	<u>\$ 1,002,001</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 4,592	\$ -	\$ 4,592	\$ -	\$ -
General obligation bonds	284,714	-	25,846	258,868	26,484
	<u>289,306</u>	<u>-</u>	<u>30,438</u>	<u>258,868</u>	<u>26,484</u>
Business-type activities				-	
Notes payable	698,000	-	56,000	642,000	58,000
Compensated absences	-	585	-	585	-
	<u>698,000</u>	<u>585</u>	<u>56,000</u>	<u>642,585</u>	<u>58,000</u>
Total	<u>\$ 987,306</u>	<u>\$ 585</u>	<u>\$ 86,438</u>	<u>\$ 901,453</u>	<u>\$ 84,484</u>

NOTE 5 - OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees bonds and certain property destruction and employee health and accident claims. The Town also participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers compensation, and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rate portion of claims which exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

B. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the Town's management expects such amounts, if any, to be immaterial.

TOWN OF MASON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

The Town is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable although legal counsel expects the potential liabilities to be within the Town's limits of insurance.

C. Prior Period Adjustment

As of July 1, 2018, beginning net position was decreased in the Water/Sewer and Gas funds related to prepaid insurance that was unchanged from previous years. While testing the 2019 insurance expense, it was determined that prepaid insurance was incorrect in the prior year. Therefore, an adjustment was made to adjust beginning net position by (\$8,392) in the Water/Sewer fund and (\$71,128) in the Gas fund.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

TOWN OF MASON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2019

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes
2018	\$ 1.46	\$ 228,373	\$ -	\$ 228,373	\$ 219,506	\$ 8,867
2017	1.21	229,662	14,536	-	5,054	9,482
2016	1.21	190,490	4,369	-	1,564	2,805
2015	0.97	181,760	5,987	-	4,574	1,413
2014	0.97	144,696	2,994	-	1,206	1,788
2013	0.97	144,243	876	702	-	1,578
2012	0.97	145,194	633	1,633	-	2,266
2011	0.97	155,795	887	2,277	-	3,164
2010	0.97	145,577	372	-	256	116
2009	0.97	154,570	495	(495)	-	-
			<u>\$ 31,149</u>	<u>\$ 232,490</u>	<u>\$ 232,160</u>	<u>\$ 31,479</u>

Above balances represented as follows:

Considered current receivables	-
Allowance for uncollectible accounts	15,875
Unavailable revenue	<u>15,604</u>
	31,479
2019 tax levy not collectible until 10/1/2019	<u>228,767</u>
	260,246
Less allowance for uncollectibles	<u>(15,875)</u>
	<u>\$ 244,371</u>

See independent auditor's report.

TOWN OF MASON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
 June 30, 2019

Water - Inside City Limits

First 3,000 gallons	\$20.00	minimum
Over 3,000 gallons	2.88	per thousand

Water - Outside City Limits

First 3,000 gallons	\$28.00	minimum
Over 3,000 gallons	3.74	per thousand

Water - Institutional

First 480,000 gallons	\$3,360.00	minimum
Over 480,000 gallons	2.88	per thousand

Number of water customers at year end: 926

Sewer Rates

Residential	100%	of water usage
Commercial	100%	of water usage

Number of sewer customers at year end: 298

Gas Rates - Residential

First 400 cubic feet	\$7.50	minimum
Over 400 cubic feet	1.33	per hundred

Gas Rates - Commercial

First 400 cubic feet	\$10.00	minimum
Over 400 cubic feet	1.33	per hundred

Number of gas customers at year end: 460

Sanitation Rate - Residential	\$19.00	per month
Sanitation Rate - Commercial	\$24.00	per month

See independent auditor's report.

TOWN OF MASON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
June 30, 2019

Year Ended June 30,	General Obligation Bonds RUS-Police Cars		Governmental Activities General Obligation Bonds RUS		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2020	\$ 7,423	\$ 1,693	\$ 19,061	\$ 10,538	\$ 26,484	\$ 12,231
2021	7,757	1,373	19,919	9,680	27,676	11,053	38,729
2022	8,061	1,039	20,815	8,784	28,876	9,823	38,699
2023	1,453	735	21,752	7,847	23,205	8,582	31,787
2024	-	-	22,730	6,868	22,730	6,868	29,598
2025	-	-	23,753	5,845	23,753	5,845	29,598
2026	-	-	24,823	4,776	24,823	4,776	29,599
2027	-	-	25,940	3,659	25,940	3,659	29,599
2028	-	-	27,107	2,492	27,107	2,492	29,599
2029	-	-	28,274	1,272	28,274	1,272	29,546
	<u>\$ 24,694</u>	<u>\$ 4,840</u>	<u>\$ 234,174</u>	<u>\$ 61,761</u>	<u>\$ 258,868</u>	<u>\$ 66,601</u>	<u>\$ 325,469</u>

See independent auditor's report.

TOWN OF MASON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
June 30, 2019

Year Ended June 30,	Business-type Activities				
	Enterprise Funds TMBF Note		Total		
	Principal	Interest	Principal	Interest	Total
2020	\$ 58,000	\$ 6,484	\$ 58,000	\$ 6,484	\$ 64,484
2021	61,000	5,898	61,000	5,898	66,898
2022	64,000	5,282	64,000	5,282	69,282
2023	68,000	4,636	68,000	4,636	72,636
2024	71,000	3,949	71,000	3,949	74,949
2025	74,000	3,232	74,000	3,232	77,232
2026	78,000	2,485	78,000	2,485	80,485
2027	82,000	1,697	82,000	1,697	83,697
2028	86,000	869	86,000	869	86,869
	<u>\$ 642,000</u>	<u>\$ 34,532</u>	<u>\$ 642,000</u>	<u>\$ 34,532</u>	<u>\$ 676,532</u>

See independent auditor's report.

TOWN OF MASON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2019

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2018	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2019
Governmental Activities									
Payable from the General Fund:									
Bonds Payable									
RUS Bonds, Series 2007	\$ 98,200	4.50%	March 12, 2007	November 4, 2022	\$ 32,300	\$ -	\$ 7,606	\$ -	\$ 24,694
RUS Bonds, Series 2008	<u>385,000</u>	4.50%	December 2, 2008	December 2, 2028	<u>252,414</u>	<u>-</u>	<u>18,240</u>	<u>-</u>	<u>234,174</u>
Total Bonds Payable from general fund	<u>\$ 483,200</u>				<u>\$ 284,714</u>	<u>\$ -</u>	<u>\$ 25,846</u>	<u>\$ -</u>	<u>\$ 258,868</u>
Business-Type Activities									
Payable from Gas and Water/Sewer Funds:									
Notes Payable									
Tennessee Municipal Bond Fund Loan	\$ 1,300,000	5.00%	April 26, 2001	May 25, 2028	<u>\$ 698,000</u>	<u>\$ -</u>	<u>\$ 56,000</u>	<u>\$ -</u>	<u>\$ 642,000</u>
Total Long-Term Debt					<u>\$ 982,714</u>	<u>\$ -</u>	<u>\$ 81,846</u>	<u>\$ -</u>	<u>\$ 900,868</u>

See independent auditor's report.

TOWN OF MASON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development			
Passed through State of Tennessee Department of Economic and Community Development			
Community Development Block Grants - Water Well Improvements	14.228	12243	\$ 33,972
Community Development Block Grants - Water Line Extension	14.228	12780	<u>464,574</u>
 Total Federal Awards:			 <u>\$ 498,546</u>

All expenditures reported under the modified accrual basis of accounting; whereby, revenues are recorded when measurable and expenditures are recorded when the related liability is incurred.

Indirect Cost Rate: The Town of Mason has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE SECTION



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Mayor and Board of Aldermen
Town of Mason, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mason, Tennessee as of and for the year ended June 30, 2019, which collectively comprise the Town of Mason's basic financial statements as listed in the table of contents and have issued our report thereon dated May 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as 2019-001, 2019-004, 2019-006, 2019-007, 2019-009, 2019-010, 2019-011, and 2019-012 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as 2019-002 and 2019-005 in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-003, 2019-004, 2019-005, 2019-006, 2019-008, 2019-009, and 2019-013.

In addition, we noted other matters involving internal control and its operation that we reported to management of the Town in a separate letter dated May 25, 2021.

Town of Mason's Response to Findings

Town of Mason's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jackson, Tennessee
May 25, 2021

TOWN OF MASON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS

2019-001: Accounts Receivable (Material Weakness)

Condition: The Town did not obtain written approval for adjustments made to utility bills.

Cause: The Town did not provide support that showed proper approval of adjustments to utility bills.

Criteria: Good internal controls recommend that all adjustments to accounts receivable be presented and approved in writing to those charged with governance.

Effect: Failing to obtain proper approvals for accounts receivable adjustments creates greater risk of error or inappropriate adjustments.

Recommendation: A report should be maintained detailing all utility adjustments and should be approved by appropriate personnel.

Management's Response: The Town will maintain an accounts receivable ledger. This subsidiary ledger should be reconciled to the general ledger on a monthly basis. Also, a report should be maintained detailing all utility adjustments and should be approved by appropriate personnel.

2019-002: Allowance for Uncollectible Accounts (Significant Deficiency)

Condition: The Town does not maintain an allowance for uncollectible accounts.

Cause: There is not an allowance maintained for the Town's accounts receivable accounts, specifically the utility accounts receivable.

Criteria: Generally accepted accounting principles requires an allowance for uncollectible accounts be maintained as a contra-asset account to the accounts receivable balance so that the matching principle is followed as the bad debt expense is matched to the same time period as the corresponding sale or aging of accounts receivable.

Effect: Lack of an allowance for uncollectible accounts creates an overstated accounts receivable asset and may create a disproportionate expense as the accounts are written off.

Recommendation: The Town should maintain an allowance account for estimated uncollectible accounts.

Management's Response: The Town is making an allowance account for estimated uncollectible accounts.

2019-003: Water Loss Calculations (Compliance and Other Matters)

Condition: The Town is not reporting water loss amounts due to the information not being available.

Cause: The Town does not maintain the appropriate information to order to prepare the water loss schedule.

TOWN OF MASON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

Criteria: The water loss amounts are required to be reported annually to the Water and Wastewater Financing Board and the Utility Management Review Board.

Effect: Failure to report water loss amounts constitutes excessive water loss and results in reporting to the Water and Wastewater Financing Board and the Utility Management Review Board for further oversight by the state.

Recommendation: The Town should have an appropriate employee calculate water loss amounts and prepare the required report.

Management's Response: The Town will have an employee calculate water loss amounts and prepare the required report.

2019-004: Interfund Receivables/Payables (Material Weakness and Compliance and Other Matters)

Condition: All interfund receivables and payables were not appropriately balanced and reconciled during the year. Additionally, the balances were not fully cleared by the year end date of June 30, 2019.

Cause: Partially due to the system conversion as well as ongoing issues with interfund accounts, there were adjustments that had to be made to make the interfund accounts balance.

Criteria: All interfund receivables and payables should be balanced and reconciled monthly. Additionally, they must be fully cleared each year or must be deemed as a loan and appropriately approved by the State of Tennessee, Office of State and Local Finance.

Effect: Interfund receivables and payables not being balanced and reconciled results in incorrect revenues, expenses, assets and liabilities for each fund thereby creating incorrect fund balances. If they are not fully cleared each year, they are considered long-term debt that requires approval.

Recommendation: We recommend that all interfund receivables and payables be balanced and reconciled each month. We also recommend that the balances be paid in full before the end of the year or approved as loans by the State Comptroller's Office.

Management's Response: Interfund receivables and payables will be balanced, reconciled, and repaid monthly. If amount is too large to be repaid within one month, we will follow the rules and guidelines set by the State Comptroller's Office.

2019-005: Deficit Fund Balance (Significant Deficiency and Compliance and Other Matters)

Condition: The Town had a deficit fund balance in the General Fund.

Cause: Activity in the general fund caused the fund to have a deficit fund balance at year-end.

Criteria: Fund balance should not be operated in a deficit.

Effect: Deficit fund balance shows the need for review of operations for the entity.

Recommendation: Those charged with governance of the Town should take steps to eliminate all fund deficits and ensure they do not occur.

TOWN OF MASON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

Management's Response: Those charged with governance of the Town are working to make changes to eliminate all fund deficits and ensure they do not occur.

2019-006: Lack of Accurate and Timely Reconciliations of Cash, Accounts Payables, and Accounts Receivables (Material Weakness and Compliance)

Condition: We noted that cash accounts were not reconciled timely and accurately. We noted several items in the reconciliations that were not appropriate. In addition, the accounts payable and accounts receivable accounts were not reconciled at year end and information could not be provided for all items requested.

Cause: When reconciliations were reviewed and entries made, they were found to be several months after the reconciliations should have been performed.

Criteria: According to the *Internal Control and Compliance Manual for Tennessee Municipalities*, cash balances should be reconciled within 30 days after the bank statements are received from the bank. Accounts payable and accounts receivable balances should be reconciled periodically but not less than once a year.

Effects: Unreconciled balances could result in incorrect revenues, expenses, assets and liabilities for each fund thereby creating incorrect fund balances.

Recommendation: The Town should timely and accurately reconcile cash, accounts payable and accounts receivable balances so as to detect errors and ensure that financial statements are not materially misstated.

Management's Response: The Town reconciles cash, accounts payable, and accounts receivable balances so to detect errors and ensure that financial statements are not materially misstated.

2019-007: Journal Entries (Material Weakness)

Condition: Supporting documentation could not be located for journal entries that were made during the year.

Cause: Several journal entries were made without supporting documentation.

Criteria: Supporting documentation should be prepared and maintained for all journal entries.

Effects: Due to the lack of supporting documentation for the journal entries made during the year, we were unable to determine if those entries were appropriate.

Recommendation: We recommend that the Town prepare and maintain supporting documentation for all journal entries made in the future.

Management's Response: We are making efforts to implement necessary controls to resolve this matter.

TOWN OF MASON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

2019-008: Debt Covenants (Compliance and Other Matters)

Condition: The Town did not comply with bond covenants.

Cause: The Town has not been able to have audited financial statements timely performed in several years.

Criteria: The Town's bond agreement requires that audited financial statements be submitted to the bank within 240 days after year end.

Effects: If the Town does not comply with bond covenants, it could create difficulties in obtaining bonds in future years.

Recommendation: We recommend that the Town comply with all debt covenants.

Management's Response: The Town is working to have the audits of the financial statements completed more timely going forward to ensure compliance with debt covenants.

2019-009: Special Revenue Fund Reporting (Material Weakness and Compliance)

Condition: The Town's sanitation revenues were collected and recorded in the General Fund. We noted that efforts were made in an attempt to move the revenues to a special revenue fund during the year. However, sanitation activities were still being recorded in the General Fund during the year.

Cause: While the Town attempted to put some sanitation activities in a separate special revenue fund, there were still amounts recorded in other funds.

Criteria: TCA 68-211-874 requires the accounting for solid waste collection activities in a separate fund.

Effects: By recording the sanitation activities in the General Fund, the Town is not in compliance with the State of Tennessee Code.

Recommendation: We recommend that the Town create a separate fund for sanitation activities to comply with State requirements.

Management's Response: All revenue sources are accounted for and entered into the system daily.

2019-010: Material Journal Entries (Material Weakness)

Condition: Auditor had to propose several material journal entries.

Cause: There were several material journal entries necessary to properly state the accounts at year-end.

Criteria: Material errors were noted during our audit that required adjustment.

Effects: Material errors expose the Town to a greater risk of fraud and loss.

TOWN OF MASON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

Recommendation: We recommend that the Town review account balances for errors in the future, and that necessary adjustments be made by management to resolve those errors.

Management's Response: We are making efforts to implement necessary controls to resolve this matter.

2019-011: Inadequate Segregation of Duties (Material Weakness)

Condition: There is not sufficient segregation of duties to accomplish an adequate internal control structure.

Cause: The Town's accounting function is largely reliant on one bookkeeping individual.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: Management should try to compensate for this by requiring preparation of monthly reports in key areas. These reports should be reviewed and maintained by management.

Management's Response: In the accounting department, we will separate the duties into data entry, bookkeeping, and oversight. Reports will be prepared monthly and submitted to the board for review.

2019-012: Proprietary Funds Used for General Government Operations (Material Weakness)

Condition: Due to the fact that the Town's general fund has material interfund payables to the Town's proprietary funds, the Town is considered to be using proprietary funds for the Town's general government operations. These funds should be only used for the ratepayers of the proprietary fund's operations.

Cause: The Town's material interfund balances, without the cash for them to repaid in one year, explicitly use proprietary funds.

Criteria: Proprietary funds are required to use their funds for the benefit of the ratepayers and the fund's operations.

Effect: The general fund using the proprietary fund's cash to fund the general government operations puts the Town at risk of required long-term debt issues, potential significant property tax increases, and other budget-cutting measures.

Recommendation: Management should work to determine ways to not only make the general fund self-sufficient, but also to repay the proprietary funds for the internal balances that have been created over the last several years.

Management's Response: The Town is working to make changes so that the internal balances are reduced in the future.

TOWN OF MASON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2019

2019-013: Lack of Oversight by CMFO (Material Noncompliance)

Condition: We noted that the Town's individual designated as the certified municipal financial officer did not properly fulfill the duties of the position.

Cause: The Town had several material journal entries including material entries to Cash and Equity that should have been adjusted before the audit process began. The CMFO is tasked with oversight of the Town's financial records and this appears to be a lack of function related to this process.

Criteria: TCA 6-56-404 notes that a Town is to employ an accountant that has oversight responsibility of the Town's financial statements. While there is a CMFO listed for the Town of Mason that met the requirements set forth by the Comptroller's Office, the duties required are not considered met.

Effect: The State of Tennessee can levy a penalty of up to \$50 per day if a Town does incur a violation of the CMFO requirements. While this is not considered a breach of the rule, the duties tasked are not considered fulfilled.

Recommendation: Management should work with the CMFO to determine the requirements are being fulfilled and duties performed.

Management's Response: The Town's financial reporting is improving, however there is still work to be done.

TOWN OF MASON, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2019

FINANCIAL STATEMENT FINDINGS

Finding Number	Finding Title	Status/Current Year Finding
2018-001	Accounts Receivable (Material Weakness) (original finding # 2004-006)	Repeated/2019-001
2018-002	Allowance for Uncollectible Accounts (Significant Deficiency) (original finding # 2004-007)	Repeated/2019-002
2018-003	Water Loss Calculations (Compliance and Other Matters) (original finding # 2004-016)	Repeated/2019-003
2018-004	Interfund Receivables/Payables (Material Weakness and Compliance and Other Matters) (original finding # 2008-003)	Repeated/2019-004
2018-005	Deficit Fund Balance (Significant Deficiency and Compliance and Other Matters) (original finding # 2013-004)	Repeated/2019-005
2018-006	Credit Card Transactions (Material Weakness and Compliance) (original finding # 2014-024)	Corrected
2018-007	Lack of Accurate and Timely Reconciliations of Cash, Accounts Payables, and Accounts Receivables (Material Weakness and Compliance) (original finding # 2014-025)	Repeated/2019-006
2018-008	Journal Entries (Material Weakness) (original finding # 2014-027)	Repeated/2019-007
2018-009	Debt Covenants (Compliance and Other Matters) (original finding # 2016-019)	Repeated/2019-008
2018-010	Special Revenue Fund Reporting (Material Weakness and Compliance) (original finding # 2016-020)	Repeated/2019-009
2018-011	Travel Advances (Significant Deficiency) (original finding # 2016-021)	Corrected
2018-012	Expenditures in Excess of Budget (Material Weakness and Compliance) (original finding # 2016-022)	Corrected
2018-013	Material Journal Entries (Material Weakness) (original finding # 2016-023)	Repeated/2019-010
2018-014	Inadequate Segregation of Duties (Material Weakness) (original finding # 2018-014)	Repeated/2019-011



Town of Mason

12157 Main Street
Mason TN 38049
901-294-3525 Phone
901-294-2307 Fax

MANAGEMENT'S CORRECTIVE ACTION PLAN

The Town of Mason, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: June 30, 2019

Contact persons/persons responsible for implementing Corrective Action:
Mayor Emmit D Gooden

The findings from the June 30, 2019, schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

All of the current year findings are repeated from the prior year. These issues were not corrected due to the timing of the prior year recommendations being after the 2019 fiscal year had ended.

2019-001 Accounts Receivable (Material Weakness)

Action Taken/Planned: The Town will maintain an accounts receivable ledger. This subsidiary ledger will be reconciled to the general ledger on a monthly basis. Also, a report will be maintained detailing all utility adjustments and should be approved by appropriate personnel.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-002 Allowance for Uncollectible Accounts (Significant Deficiency)

Action Taken/Planned: The Town is making an allowance account for estimated uncollectible accounts.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-003 Water Loss Calculations (Compliance and Other Matters)

Action Taken/Planned: The Town will appoint an appropriate employee calculate water loss amounts and prepare the required report.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-004 Interfund Receivables/Payables (Material Weakness and Compliance and Other Matters)

Action Taken/Planned: Interfund receivables and payables will be balanced, reconciled, and repaid monthly. If amount is too large to be repaid within one month, we will follow the rules and guidelines set by the State Comptroller's Office.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-005 Deficit Fund Balance (Significant Deficiency and Compliance and Other Matters)

Action Taken/Planned: Those charged with governance of the Town are taking steps to eliminate all fund deficits and ensure they do not occur.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-006 Lack of Accurate and Timely Reconciliations of Cash, Accounts Payables, and Accounts Receivables (Material Weakness and Compliance)

Action Taken/Planned: The Town reconciles cash, accounts payable, and accounts receivable balances so to detect errors and ensure that financial statements are not materially misstated.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-007 Journal Entries (Material Weakness)

Action Taken/Planned: We are making efforts to implement necessary controls to resolve this matter.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-008 Debt Covenants (Compliance and Other Matters)

Action Taken/Planned: All debt is listed on the balance sheet and reconciled to the statements monthly or annually depending on the debt.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-009 Special Revenue Fund Reporting (Material Weakness and Compliance)

Action Taken/Planned: All revenue sources are accounted for and entered into the system daily. The Town is going to begin using a separate fund for sanitation revenue.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-010 Material Journal Entries (Material Weakness)

Action Taken/Planned: We are making efforts to implement necessary controls to resolve this matter.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-011 Inadequate Segregation of Duties (Material Weakness)

Action Taken/Planned: In the accounting department, we will separate the duties into data entry, bookkeeping, and oversight. Reports will be prepared monthly and submitted to the board for review.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-012 Proprietary Funds Used for General Government Operations (Material Weakness)

Action Taken/Planned: The Town is going to continue to work on making the general fund self-sufficient and work to repay in the internal balances created by years of use of the proprietary funds.

Anticipated Completion Date/Date Completed: June 30, 2020

2019-013 Lack of Oversight by CMFO (Material Noncompliance)

Action Taken/Planned: Management is going to work with the CMFO to determine the requirements of the CMFO are being fulfilled and duties performed.

Anticipated Completion Date/Date Completed: June 30, 2020

Sincerely,



Town of Mason