



JASON E. MUMPOWER  
*Comptroller*

Agenda  
Water and Wastewater Financing Board  
Special Called Meeting  
November 10, 2021  
10:00 AM

- I. Call to Order
- II. City of Spencer- Page 2
- III. Town of Mason- Page 38
- IV. Board Discussion



JASON E. MUMPOWER  
*Comptroller*

## **City of Spencer**

### **Staff Summary:**

The Water & Wastewater Financing Board (“the Board”) placed the City of Spencer (“the City”) on the update cycle on April 2, 2019, after the City adopted rates as suggested by their consulting engineer Nathaniel Green of James C. Hailey & Company. The City’s 2020 audit indicates these rate changes did not correct the City’s financial distress.

Board staff has learned that the City has failed to comply with directives from the EPA and TDEC. The EPA Enforcement Tracking Tool gives the city a score of 23, where a score of 11 or above requires TDEC to take enforcement action. The City is not in compliance with an existing TDEC order or the WIIN Grant requirements. Further, the City is at risk of enforcement action from the EPA which calls for much steeper penalties than those imposed by TDEC. This demonstrates problems surrounding the operation of the City’s utilities.

The Comptroller’s office of Local Government Finance did not approve the City’s budget for this fiscal year. There are a large number of deficiencies the City has failed to address.

Due to the City’s continued financial distress and failure to comply with TDEC and EPA directives, Board staff recommends that a Board ordered investigation be opened to report on issues surrounding the City’s utility.

### **Staff Recommendation:**

Order the following:

1. Board staff shall investigate the City’s utility to address the financial, technical, and managerial capacity of the City to comply with the requirements of any applicable federal and state acts.
2. Board staff shall, with the full authority of the Board, issue subpoenas for the Town’s mayor, governing body, utility manager, and any other necessary staff, to appear in-person before the Board at its first meeting of 2022 if the City does not comply fully with the Board’s investigation.
3. Board staff shall update the Board as to the status of this investigation at its next meeting on March 24, 2022.



STATE OF TENNESSEE  
**DEPARTMENT OF ENVIRONMENT AND CONSERVATION**  
**DIVISION OF WATER RESOURCES**

William R. Snodgrass - Tennessee Tower  
 312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor  
 Nashville, Tennessee 37243-1102

MEMORANDUM

Date: November 9, 2021

To: Ross Colona, Technical Secretary, Local Government Finance,  
 Comptroller of the Treasury

From: Jessica Murphy, Manager, Compliance and Enforcement Unit,  
 TN Division of Water Resources, TDEC *Jessica Murphy*

Subject: City of Spencer; Managerial, Technical, and Financial Capabilities Investigation  
 Van Buren County, TN

The Division of Water Resources has noticed several issues and violations for the City of Spencer's water and wastewater systems that reflect problems with their managerial, technical, and financial capabilities. The Division requests that an investigation under the jurisdiction of the Water and Wastewater Financing Board be opened to determine whether the City of Spencer is meeting the requirements of the Board. Documentation is being provided accompanying this memo.

Spencer's water plant and water source are inadequate for treatment and reliable supply. The main source of water is being provided via a lagoon/reservoir near the water plant with the provision to pump water up some appreciable vertical distance from the Caney Fork River. Inadequate treatment at the plant and the insufficient reservoir have led to disinfection byproduct violations which were the subject of a Director's Order. Spencer has not maintained the pumps properly from the Caney Fork and is also reluctant to use the Caney Fork source due to the increase in electricity costs. In September of this year, even with what should have been more than adequate rainfall, the reservoir levels were dropping and the Caney Fork pumps could not provide sufficient water. A dispute over the water supply with the Mayor caused Nolan Campbell, operator in direct charge to quit. Mr. Campbell was replaced by Tammy Sullivan, who now holds a Grade 4 operator license after 2 failed attempts at taking the licensing exam.

In addition to the disinfection byproduct violations, the water system has been cited for failure to maintain duplicate disinfection, failure to maintain duplicate pumps from the Caney Fork, failure to perform bacteria monitoring during the month of December 2018, failure to continuously monitor the treatment plant filters, failure to have backflow devices tested annually, and failure to maintain various equipment in sufficient working order to meet rule requirements. During the 2018 sanitary survey, DWR staff determined that the backwash lagoon sludge had been illegally discharged to Waters of the State and the City was subsequently issued a Notice of Violation under the NPDES permitting program.

Spencer was provided a SEARCH grant from the USDA Rural Development Agency in April 2017. A Preliminary Engineering Report was submitted to the Agency for consideration of additional construction funding on the water supply/treatment. Numerous assumptions were required of the design engineer regarding the quality of water in the reservoir and treatment options for multiple ratios of reservoir and Caney Fork River water (the current and limited emergency supply).

October 27, 2021  
Mr. Ross Colona  
Memo  
Page 2

The City subsequently received a grant from the Water Infrastructure Improvements for the Nation Act (WIIN Grant) in 2020 to again study the water source and treatment plant issues but has shown reluctance to take steps to comply with the recommendations in a timely manner, and is determined to wait another 3 years until more grants might be available. This would likely leave them in noncompliance for a number of years. The City has been working with their consultant, James C. Hailey & Company and the University of Memphis on the WIIN grant. Incidentally Zeda Hillis, the former City Recorder for the City of Spencer now works for James C. Hailey & Company.

The City has also had issues with the wastewater plant, with a number of effluent violations for total suspended solids, *E. coli*, nitrogen/ammonia and bypasses of the plant. Division staff determined during an October 5, 2021 site visit that the wastewater plant was discharging partially treated wastewater directly into the underlying geologic formation via a dropout and that no discharges had ever reached the permitted outfall location. James C. Hailey & Company also serves as the consultant for the wastewater treatment plant.

The City had a tragic and deadly OSHA violation on April 2, 2019, when Mickey Fisher, a Spencer water department employee, was killed in a trench collapse when he attempted to repair a water line leak in a trench that did not have shoring in place. Mr. Fisher should have been trained on the proper procedures for performing a trench entry and the necessity for the trench to have shoring in place.

Accompanying Documents:

Spencer Sanitary Survey January 22, 2016  
DWS18-0021 Spencer Water Dept Directors Order 4.23.18  
Spencer Sanitary Survey September 13, 2018  
New CAP Engineering Report January 25, 2019  
Spencer NPDES NOV August 28, 2019  
Preliminary Engineering Report on Water Supply for City of Spencer  
Spencer Sanitary Survey September 12, 2019  
WIIN Grant Contract May 2020  
DWS18-0021 Spencer Corrective Actions Update December 14, 2020.  
Spencer Sanitary Survey March 22, 2021  
Email RE Spencer Barry Burgess Sept 9 2021  
October 5, 2021 Site Visit Wastewater Report  
NPDES Violations Report October 26, 2021



STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION  
DIVISION OF WATER RESOURCES

William R. Snodgrass - Tennessee Tower  
312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor  
Nashville, Tennessee 37243-1102

May 18, 2020

Mr. Michael N. Green, P.E.  
e-copy: [ngreen@jchengr.com](mailto:ngreen@jchengr.com)  
James C Hailey & Company, Inc  
Consulting Engineers  
1619 Galleria Blvd  
Brentwood, TN 37027

Subject: **City of Spencer**  
**County: Van Buren**  
**Preliminary Engineering Report for Water Supply (June 2019)**

Dear Mr. Green:

The Tennessee Department of Environment and Conservation, Division of Water Resources (TDEC-DWR) acknowledges the receipt of the subject PER in June 2019 prepared for TDEC-DWR and United States Department of Agriculture, Rural Development Agency review. Although the report focuses on the water supply issue, it also places source water issues in the context of other challenges facing the Spencer potable water system and comments on alternatives including:

- Inconsistent quantity and quality source water supply from the City Lake resulting in frequent scarcity, treatment challenges and taste & odor problems;
- High cost of using an existing emergency water withdrawal from the Caney Fork River to augment source water supply;
- High disinfection by products (DBPs) in finished water and generated within the distribution system resulting in frequent violations of drinking water quality standards;
- High (50%+) water loss straining the system finances and source water supplies; and
- Inadequate design of the water treatment plant (WTP) processes to sufficiently reduce both DBP precursor organics and iron and manganese (Fe and Mn).

The PER recommends proceeding with conversion of an emergency source from the Caney Fork River to a regular source with the replacement of the intake and intermediate pump stations supplying water directly to the WTP and postponement of actions addressing the other issues. Upgrade of the line from the Caney Fork is dealt with as an efficiency issue with its implementation to be decided by financial availability.

Approval is granted for proceeding with the conversion of the emergency intake and intermediate pump station to provide a significant portion of Spencer's required water from the Caney Fork River since even with significant water loss reduction the City Lake watershed is insufficient to provide source water security for the City. This approval is made with the acknowledgement of the City of Spencer participating in a WIIN grant program to address:

- treatment options for both the City Lake and Caney Fork River supplies for DBP precursor and Fe & Mn reduction in the short and long term; and

- system water loss by monitoring and providing system management tools.

TDEC-DWR recommends that the City consider the financial implications of deferring any construction which would reduce O&M costs when there are other significant drinking water issues to fund.

Approval of this planning document should not be construed as a permit for all activities related to this project. Activities which may require a permit under the WQC Act and Regulations include, but are not limited to, the following: streambank vegetation removal; creek crossing(s) for equipment or utility lines; construction within twenty (20) feet of a stream bank; construction in or near a marshy areas or wetlands, and/or land disturbance equal to or greater than one acre. As planning proceeds the Cookeville Environmental Field Office should also be contacted for determinations regarding whether an Aquatic Resource Alteration Permit (ARAP) and/or a National Pollutant Discharge Elimination System (NPDES) construction stormwater permit will need to be obtained prior to the beginning of construction of this project.

Note that the Drinking Water Section is currently accepting plans, specifications and engineering reports in electronic format. The following link should be helpful in this regard: <https://www.tn.gov/environment/permit-permits/water-permits/plans-review-and-approval-for-public-water-systems.html>

If you have any questions, please feel free to contact Bill Hench, P.E. at 615-532-0165 or by email at [Bill.Hench@tn.gov](mailto:Bill.Hench@tn.gov).

Sincerely,



George Garden, P.E. BCEE  
Deputy Director/Chief Engineer  
615-416-0164 [george.garden@tn.gov](mailto:george.garden@tn.gov)

cc: Community Water Systems File  
Mickey Robinson, Mayor, City of Spencer, [spencermayor@blomand.net](mailto:spencermayor@blomand.net)  
Miranda Davenport, City of Spencer, [spencertngov@blomand.net](mailto:spencertngov@blomand.net)  
Barry Burgess, P.E., State USDA RDA Office, Nashville, [Barry.Burgess@tn.usda.gov](mailto:Barry.Burgess@tn.usda.gov)  
Matt Keiter, P.E., State USDA RDA Office, Nashville, [Matt.Keiter@tn.usda.gov](mailto:Matt.Keiter@tn.usda.gov)  
Brad Ulmer, Manager, TDEC-DWR, Cookeville EFO, [Brad.Ulmer@tn.gov](mailto:Brad.Ulmer@tn.gov)  
Lonnie McCloud, TDEC-DWR, Cookeville EFO, [Lonnie.McCloud@tn.gov](mailto:Lonnie.McCloud@tn.gov)  
Angela Jones, P.E., TDEC-DWR, Nashville Central Office, [Angela.Jones@tn.gov](mailto:Angela.Jones@tn.gov)  
Vena L Jones, TN State Revolving Loan Fund (SRF), Nashville, [Vena.L.Jones@tn.gov](mailto:Vena.L.Jones@tn.gov)

**BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD**

**IN THE MATTER OF:**

**CITY OF SPENCER**

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**TENN. CODE ANN. § 68-221-1010  
-FINANCIAL DISTRESS**

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**ORDER**

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On November 15, 2018, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of Spencer (“the City”) water and sewer system pursuant to Tenn. Code Ann. § 68-221-1010. Based on the City’s financial deficiencies, the Board hereby orders the following:

1. The City shall have the Municipal Technical Advisory Service, the Tennessee Association of Utility Districts, or another qualified expert assist in completing the financial questionnaire previously sent by Board staff.
2. The City shall send the completed financial questionnaire and all supporting documentation to Board staff by February 15, 2019.

ENTERED this 28th day of November, 2018.



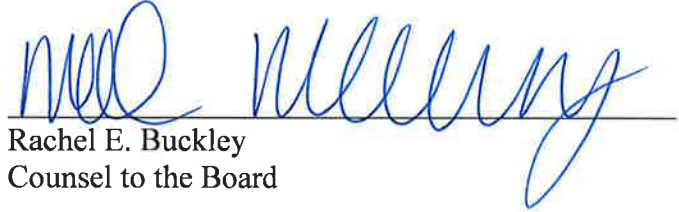
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ANN V. BUTTERWORTH, Chair  
Water and Wastewater Financing Board

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 28<sup>th</sup> day of November, 2018:

Mayor Mickey S. Robinson  
Ms. Zeda Hillis, City Recorder  
City of Spencer  
12180 State Highway 111  
P.O. Box 187  
Spencer, TN 38585



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Rachel E. Buckley  
Counsel to the Board



**BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD**

**IN THE MATTER OF:**

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**CITY OF SPENCER**

**TENN. CODE ANN. § 68-221-1010  
-FINANCIAL DISTRESS**

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**ORDER**

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On March 14, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of Spencer (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff indicated that the City had completed the previously ordered financial questionnaire and additionally raised rates based on a study from its consulting engineer. Based on the City’s progress and the Board’s need to continue to monitor said progress, the Board hereby orders the following:

1. The City shall send financial updates to Board staff by March 1 and September 1 of each year, beginning September 1, 2019, until the Board releases the City from its oversight.

ENTERED this Znd day of April, 2019.



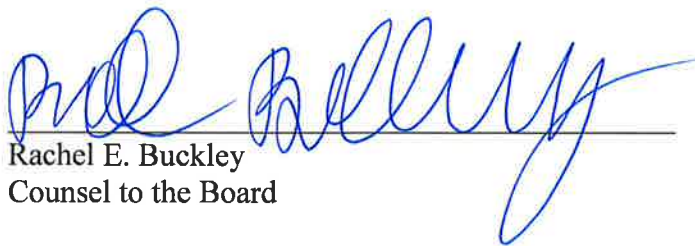
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ANN V. BUTTERWORTH, Chair  
Water and Wastewater Financing Board

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 3rd day of April, 2019:

Mayor Mickey S. Robinson  
Ms. Zeda Hillis, City Recorder  
City of Spencer  
12180 State Highway 111  
P.O. Box 187  
Spencer, TN 38585



Rachel E. Buckley  
Counsel to the Board

**CITY OF SPENCER, TENNESSEE**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**June 30, 2020**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents - Note B		\$ 900,365.44
Accounts receivable	\$ 132,230.53	
Unbilled revenue	<u>63,799.22</u>	196,029.75
Grant receivable		<u>57,056.41</u>
<b>TOTAL CURRENT ASSETS</b>		<b>\$ 1,153,451.60</b>

**NONCURRENT ASSETS**

Capital assets in service - at cost - Note C	\$ 24,029,453.51	
Less: accumulated depreciation	<u>(8,822,883.32)</u>	15,206,570.19

Other assets:

Utility deposits		<u>130.00</u>
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**TOTAL ASSETS** **\$ 16,360,151.79**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred cost of pension		<u>\$ 71,877.51</u>
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**TOTAL ASSETS AND DEFERRED OUTFLOWS** **\$ 16,432,029.30**

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable		\$ 88,411.20
Sales tax payable		8,315.00
Accrued payroll and related expenses		13,091.39
Customer deposits		29,231.15
Interest payable		1,588.30
Portion of long-term debt due within one year		<u>83,892.10</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b>\$ 224,529.14</b>

**NONCURRENT LIABILITIES**

Bonds and notes payable - Note D	\$ 2,237,958.88	
Less portion of long-term debt due within one year	<u>(83,892.10)</u>	
	\$ 2,154,066.78	

Net pension obligation	43,045.18	
Compensated absences	<u>9,782.91</u>	<u>2,206,894.87</u>

**TOTAL LIABILITIES** **\$ 2,431,424.01**

**DEFERRED INFLOWS FROM RESOURCES**

Deferred inflows related to pensions		<u>\$ 39,313.46</u>
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**NET POSITION**

Net investment in capital assets	\$ 12,968,611.31	
Unrestricted	<u>992,680.52</u>	<u>\$ 13,961,291.83</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS,  
AND NET POSITION** **\$ 16,432,029.30**

See the notes to financial statements.

**CITY OF SPENCER, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUND**  
**Year ended June 30, 2020**

**Operating revenues:**

Water sales (net of bad debts, \$3,791.36)	\$ 996,742.42
Wastewater revenue	328,811.52
Forfeited discount	16,888.20
Tap fees	43,250.00
Other operating income	<u>24,609.90</u>

**TOTAL OPERATING REVENUES**     \$ 1,410,302.04

**Operating expenses:**

Salaries	\$ 282,375.74	
Payroll taxes	22,071.59	
Retirement	17,802.55	
Utilities	172,849.89	
Water purchased	6,955.50	
Operating supplies	57,056.64	
Repairs and maintenance	94,754.15	
Chemicals	61,570.17	
Insurance	37,683.00	
Legal and professional fees	10,535.00	
Customer billing	9,640.55	
Contracted services	44,259.73	
Provision for depreciation - straight-line	470,562.28	
Paying agent fees	9,470.58	
Office supplies and postage	2,299.87	
Vehicle expense	16,664.47	
Water testing	17,889.26	
Annual fees	16,104.58	
Uniforms	7,333.78	
WIIN grant expenses	22,806.41	
Infrastructure grant expenses	5,000.00	
SEARCH grant expenses	6,638.75	
Collection system	52,138.17	
Miscellaneous	<u>2,855.17</u>	<u>1,447,317.83</u>

**OPERATING LOSS**     \$ (37,015.79)

**CITY OF SPENCER, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUND (CONT'D)**  
**Year ended June 30, 2020**

<b>Non-operating revenues (expenses):</b>		
Interest income	\$ 3,345.84	
Recovery of bad debts	2,276.15	
Gain on disposal of assets	14,100.00	
Interest expense	<u>(79,359.61)</u>	<u>(59,637.62)</u>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>\$</b>	<b>(96,653.41)</b>
<b>Contributions and transfers:</b>		
Infrastructure grant	\$ 4,500.00	
SEARCH grant	6,638.75	
WIIN grant	<u>22,806.41</u>	<u>33,945.16</u>
	<b>CHANGE IN NET POSITION</b>	<b>\$ (62,708.25)</b>
Net position - July 1, 2019		<u>14,024,000.08</u>
	<b>NET POSITION - JUNE 30, 2020</b>	<b><u>\$ 13,961,291.83</u></b>

Provision for depreciation was computed by the straight-line method and totaled \$470,562.28

Interest incurred during the year was \$79,359.61 all of which was charged to expense

See the notes to financial statements.

**CITY OF SPENCER, TENNESSEE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year ended June 30, 2020**

<b>Cash flows from operating activities:</b>		
Receipts from customers and users		\$ 1,419,596.16
Payments to suppliers		(641,771.16)
Payments to employees		<u>(331,181.09)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>\$ 446,643.91</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	\$ (101,668.36)	
Proceeds from sale of capital assets	14,100.00	
Principal paid on bonds	(97,914.09)	
Interest paid on bonds	<u>(79,425.59)</u>	
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<b>(264,908.04)</b>
<b>Cash flows from investing activities -</b>		
Interest from investments		<u>3,345.84</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>\$ 185,081.71</b>
Cash and cash equivalents at July 1, 2019		<u>715,283.73</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2020</b>		<b>\$ <u>900,365.44</u></b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss		\$ (37,015.79)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Provision for depreciation		470,562.28
Recovery of bad debts		2,276.15
Bad debts		3,791.36
Change in net pension liability		14,163.58
Change in deferred outflows - pension expense		(10,870.48)
Change in deferred inflows - pension expense		(9,849.50)
Changes in:		
Increase in accounts receivable		4,957.26
Increase in accounts payable		12,518.51
Decrease in customer deposits		(1,730.65)
Increase in accrued compensation		(3,378.75)
Increase in other current liabilities		<u>1,219.94</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>\$ <u>446,643.91</u></b>

See the notes to financial statements.

**CITY OF SPENCER, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**For the Year Ended June 30, 2020**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				-
Taxes and tax equivalents	\$ 182,000	\$ 182,000	\$ 213,750	\$ 31,750
Licenses and permits	3,900	3,900	2,451	(1,449)
Intergovernmental	161,600	161,600	189,167	27,567
Interest	400	400	1,363	963
Fines and penalties	90,500	90,500	80,177	(10,323)
Miscellaneous	200	200	163	(37)
<b>TOTAL REVENUES</b>	<u>\$ 438,600</u>	<u>\$ 438,600</u>	<u>\$ 487,071</u>	<u>\$ 48,471</u>
<b>Expenditures:</b>				
Administrative salaries & related costs	\$ 72,150	\$ 64,150	\$ 52,605	\$ 11,545
Utilities	12,400	14,000	11,966	2,034
Supplies	4,000	2,000	1,287	713
Insurance	31,000	39,100	38,821	279
Legal fees	5,500	2,500	2,256	244
Accounting and audit fees	9,000	9,000	8,350	650
Mayor's salary & related costs	64,700	59,700	55,848	3,852
Council meetings	7,100	6,600	5,680	920
Annual dues and fees	19,311	18,311	17,821	490
Repairs and maintenance	4,500	-	-	-
Codes enforcement	13,000	13,300	12,417	883
City Court	51,000	56,200	49,690	6,510
Travel and mileage expense	3,500	3,500	2,652	848
Other general government expense	14,850	14,550	14,300	250
Donations	14,150	14,150	12,665	1,485
Police Department	187,200	198,100	194,948	3,152
Highways and streets	42,500	40,700	39,399	1,301
City Park	27,050	27,050	22,708	4,342
Safe Routes to Schools	7,500	7,500	3,000	4,500
<b>TOTAL EXPENDITURES</b>	<u>\$ 590,411</u>	<u>\$ 590,411</u>	<u>\$ 546,413</u>	<u>\$ 43,998</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(151,811)	(151,811)	(59,342)	92,469
Other financing sources (uses):				
Operating transfers in:	10,000	10,000	-	(10,000)
Operating transfers out:	-	-	-	-
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER</b>				
<b>FINANCING SOURCES (USES)</b>	<u>\$ (141,811)</u>	<u>\$ (141,811)</u>	<u>\$ (59,342)</u>	<u>\$ 82,469</u>
Fund balance at July 1	377,801	377,801	377,801	-
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 235,990</u></u>	<u><u>\$ 235,990</u></u>	<u><u>\$ 318,459</u></u>	<u><u>\$ 82,469</u></u>

See the notes to financial statements.

**CITY OF SPENCER, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - STATE STREET AID FUND**  
**Year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis) (See Note A)	
<b>Revenues:</b>				
State 3% gas tax	\$ 8,500	\$ 8,500	\$ 8,537	\$ 37
State gas motor tax	28,000	28,000	29,137	1,137
State 2017 gas	5,000	5,000	14,617	9,617
State 1989 gas tax increase	4,500	4,500	4,607	107
Interest	50	50	694	644
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 46,050</b>	<b>\$ 46,050</b>	<b>\$ 57,592</b>	<b>\$ 11,542</b>
<b>Expenditures:</b>				
Maintenance and repairs	\$ 145,000	\$ 545,000	\$ 504,550	\$ 40,450
Street signs	1,000	1,000	-	1,000
Miscellaneous	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$146,000</b>	<b>\$ 546,000</b>	<b>\$ 504,550</b>	<b>\$ 41,450</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(99,950)</b>	<b>(499,950)</b>	<b>(446,958)</b>	<b>52,992</b>
Other financing sources (uses):				
Note proceeds	-	-	400,000	400,000
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ (99,950)</b>	<b>\$ (499,950)</b>	<b>\$ (46,958)</b>	<b>\$ 452,992</b>
Fund balance at July 1	196,793	196,793	196,793	-
<b>FUND BALANCE AT JUNE 30</b>	<b>\$ 96,843</b>	<b>\$ (303,157)</b>	<b>\$ 149,835</b>	<b>\$ 452,992</b>

See the notes to financial statements.



**SPENCER WATER AND SEWER  
STATISTICAL DATA  
June 30, 2020**

**WATER RATES**

Within the city limits:

Read in 100 gallons

\$9.00 service charge per customer

\$ .95 per 100 gallons

Sewer charge is 100% of the water bill.

Outside the city limits:

Read in 100 gallons

\$13.00 service charge per customer

\$ 1.05 per 100 gallons

There were approximately 1,853 water customers and 636 water and sewer customers billed for June 2020.

## AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association  
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[Click to access definition](#)  
 [Click to add a comment](#)

Water Audit Report for: **Spencer Utility Department (TN 0000655)**  
Reporting Year: **2020** / **7/2019 - 6/2020**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

### WATER SUPPLIED

Volume from own sources:  158.428 MG/Yr  
Water imported:  13.305 MG/Yr  
Water exported:  0.000 MG/Yr

### Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' →

Pcnt:	Value:	MG/Yr
<input type="radio"/>	<input type="radio"/>	
<input checked="" type="radio"/>	<input type="radio"/>	
<input type="radio"/>	<input type="radio"/>	
<input type="radio"/>	<input type="radio"/>	

**WATER SUPPLIED:**  MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

### AUTHORIZED CONSUMPTION

Billed metered:  72.259 MG/Yr  
Billed unmetered:  0.007 MG/Yr  
Unbilled metered:  0.000 MG/Yr  
Unbilled unmetered:  4.105 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:**  MG/Yr

Click here: for help using option buttons below

Pcnt:  Value:  4.105 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt:  Value:  0.25% MG/Yr

3.50%   0.010 MG/Yr

### WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

### Apparent Losses

Unauthorized consumption:  0.429 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:  2.621 MG/Yr  
Systematic data handling errors:  0.010 MG/Yr

**Apparent Losses:**  MG/Yr

### Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:  MG/Yr

**WATER LOSSES:**  MG/Yr

### NON-REVENUE WATER

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

Length of mains:  134.0 miles  
Number of active AND inactive service connections:  2,165  
Service connection density:  16 conn./mile main

Are customer meters typically located at the curbside or property line?

(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line:   
Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:  90.0 psi

### COST DATA

Total annual cost of operating water system:  \$1,088,771 /Year  
Customer retail unit cost (applied to Apparent Losses):  \$13.85 /1000 gallons (US)  
Variable production cost (applied to Real Losses):  \$1,610.81 /Million gallons  Use Customer Retail Unit Cost to value real loss

### WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 81 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score.

### PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Billed metered
- 3: Unauthorized consumption



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0  
American Water Works Association  
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Water Audit Report for: Spencer Utility Department (TN 0000655)  
 Reporting Year: 2020 7/2019 - 6/2020

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 \*\*\*

**System Attributes:**

	Apparent Losses:	3.060	MG/Yr
+	Real Losses:	92.302	MG/Yr
=	<b>Water Losses:</b>	<b>95.362</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): 34.48 MG/Yr

Annual cost of Apparent Losses: \$42,383

Annual cost of Real Losses: \$148,681 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	57.9%	
		Non-revenue water as percent by cost of operating system:	18.2%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	3.87	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	1,887.18	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 92.30 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.68

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline



STATE OF TENNESSEE  
**DEPARTMENT OF ENVIRONMENT AND CONSERVATION**  
**DIVISION OF WATER RESOURCES**

William R. Snodgrass - Tennessee Tower  
 312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor  
 Nashville, Tennessee 37243-1102

May 3, 2018

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**  
**RECEIPT #9414 7266 9904 2096 0194 28**

The Honorable Mickey S. Robinson  
 Mayor of City of Spencer  
 P.O. Box 187  
 Spencer, TN 38585

Subject: **DIRECTOR'S ORDER NO. DWS18-0021**  
**SPENCER WATER DEPARTMENT**  
**VAN BUREN COUNTY, TENNESSEE**

Dear Mayor Robinson,

Enclosed is a Director's Order and Assessment of Civil Penalty issued by Tisha Calabrese Benton, Director of the Division of Water Resources, under the delegation of Commissioner Robert J. Martineau, Jr. Read the Order carefully and pay special attention to the NOTICE OF RIGHTS section. Please note that the required due dates in the Order are based on the date the Respondent receives the Order, and not the date that it was signed by the Director.

Corporations, limited partnerships, limited liability companies, and other artificial entities created by law must be represented in any legal proceeding resulting from an appeal of this Order and Assessment by an attorney licensed to practice law in the State of Tennessee. Non-attorneys may participate in any such proceedings to the extent allowed by law.

If you or your attorney has questions concerning this correspondence, please contact Tom Moss at (615) 532-0170 or you may contact Jessica Murphy at (615) 532-0676.

Sincerely,

Jessica Murphy, Manager  
 Compliance and Enforcement Unit

EJM:TAM

cc: DWR – EFO-CK  
 DWR – Compliance File  
 OGC

**STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION**

<b>IN THE MATTER OF:</b>	)	<b>DIVISION OF WATER RESOURCES</b>
	)	
<b>CITY OF SPENCER,</b>	)	
	)	
	)	
<b>RESPONDENT.</b>	)	<b>CASE NO. DWS18-0021</b>

**DIRECTOR’S ORDER AND ASSESSMENT**

NOW COMES Tisha Calabrese Benton, Director of the Tennessee Division of Water Resources, and states:

**PARTIES**

**I.**

Tisha Calabrese Benton is the duly appointed Director of the Tennessee Division of Water Resources (the “Division”) by the Commissioner of the Tennessee Department of Environment and Conservation (the “Department”). The Commissioner is responsible for administering the *Safe Drinking Water Act* (the “Act”), Tennessee Code Annotated (“Tenn. Code Ann.”) § 68-221-701 *et seq.*

**II.**

The City of Spencer (the “Respondent”) owns, operates, and/or controls the Spencer Water Department community public water system (the “System”) existing in Van Buren County, Tennessee. The Public Water System Identification # is TN0000655. Process may be served on the Respondent through the Honorable Mickey S. Robinson, Mayor, City of Spencer, P. O. Box 187, Spencer, Tennessee 38585.

## **JURISDICTION**

### **III.**

Whenever the Commissioner has reason to believe that a violation of the Act has occurred, or is about to occur, he is authorized to take corrective action pursuant to Tenn. Code Ann. §§ 68-221-705 and 68-221-712. Further, the Commissioner has authority to assess civil penalties and damages against any violator of the Act, pursuant to Tenn. Code Ann. §§ 68-221-705 and 68-221-713. Rules governing operation of public water supply systems have been promulgated pursuant to Tenn. Code Ann. § 68-221-704 and are effective as the Tennessee Compilation of Rules and Regulations (“Tenn. Comp. R. & Regs.”) Chapter 0400-45-01. Pursuant to Tenn. Code Ann. § 68-221-705(12), the Commissioner may designate the Director of Water Resources as his duly authorized representative to exercise the powers, duties, and responsibilities of the commissioner under the Act. Robert J. Martineau, Jr., Commissioner of the Department of Environment and Conservation, has delegated such authority to Tisha Calabrese Benton (the “Director”).

### **IV.**

The Respondent is a “person” as defined at Tenn. Code Ann. § 68-221-703(17) and owns, operates, and/or controls a “public water system” within the meaning of Tenn. Code Ann. § 68-221-703(19), and as herein described, has violated the Act.

## **FACTS**

### **V.**

The Respondent obtains its source water from Laurel Lake and serves 2,093 connections and a population of approximately 5,170 persons. The System is classified as a Subpart H system under Tenn. Comp. R & Regs. 0400-45-01-.04(93), because it uses a surface water source.

## VI.

Division personnel conducted a file review the week of March 27, 2017; the week of September 25, 2017, the week of December 25, 2017 and the week of March 12, 2018 for the quarterly monitoring periods ending March 31, 2017; September 30, 2017, December 31, 2017, and March 31, 2018, respectively. The Division determined that the Respondent had failed to maintain water served to its customers below the Maximum Contaminant Level (“MCL”) for the disinfection byproduct Haloacetic Acids (“HAA5”) for the four quarterly monitoring periods and for the disinfection byproduct Total Trihalomethanes (“TTHM”) for the two quarterly monitoring periods ending September 30, 2017, and December 31, 2017. The MCL is set on the locational running annual average (“LRAA”) for TTHM and HAA5 at each monitoring site, calculated as the average of sample analytical results for samples taken at that monitoring location during the previous four calendar quarters. The LRAA MCL for HAA5 is 0.060 mg/L and the LRAA MCL for TTHM is 0.080 mg/L.

As set forth in the following table, the Respondent exceeded the MCL for HAA5 for each of the four quarterly compliance periods and exceeded the MCL for TTHM for two of the quarterly monitoring periods. The violations are only assessed as one per quarter even where there are violations for both HAA5 and TTHM in the same quarter.

	<b>1st Quarter 2017</b>	<b>3<sup>rd</sup> Quarter 2017</b>	<b>4<sup>th</sup> Quarter 2017</b>	<b>1<sup>st</sup> Quarter 2018</b>
<b>Site 202 HAA5</b>	<b>0.066 mg/L</b>	<b>0.079 mg/L</b>	<b>0.073 mg/L</b>	<b>0.063 mg/L</b>
<b>Site 202 TTHM</b>	<i>Below MCL</i>	<b>0.089 mg/L</b>	<b>0.096 mg/L</b>	<i>Below MCL</i>

The Division issued notices for the HAA5 LRAA MCL violations for three of the quarterly compliance periods on the following dates:

- 1) April 25, 2017: first quarter 2017 violation,

- 2) October 26, 2017: third quarter 2017 violation, and
- 3) January 26, 2018: fourth quarter 2017 violation.

## VIOLATIONS

### VII.

The Respondent failed to maintain HAA5 LRAA levels below the MCL of 0.060 mg/L for the four quarterly compliance periods ending on March 31, 2017; September 30, 2017; December 31, 2017; and March 31, 2018. The Respondent also failed to maintain TTHM LRAA levels below the MCL of 0.080 mg/L for two quarterly compliance periods ending September 30, 2017; and December 31, 2017. Therefore, the Respondent violated Tenn. Comp. R. & Regs. 0400-45-01-.06(6)(b)(2), which states, in relevant part:

2. LRAA compliance (Rule 0400-45-01-.38)
  - (i) Compliance dates. The [LRAA] MCLs for TTHM and HAA5 must be complied with as a locational running annual average (LRAA) at each monitoring location beginning the date specified for subpart V compliance in subparagraph (1)(c) of Rule 0400-45-01-.38.

Disinfection by-product	MCL (mg/L)
Total trihalomethanes (TTHM)	0.080
Haloacetic acids (five) (HAA5)	0.060



**ORDER and ASSESSMENT****VIII.**

Pursuant to the authority delegated by the Commissioner under the provisions of the Act, I, Tisha Calabrese Benton, hereby issue the following Order and Assessment:

- 1.) Within 45 days of the receipt of this Order, the Respondent shall submit a plan for a 120-day distribution system optimization study (the "Study") that characterizes water quality in relation to disinfection byproducts throughout the entire distribution system to the Division for its review. The Study must evaluate water age within the distribution system, storage tank turnover, and mixing. The Study shall include monthly sampling at 10 additional sites to monitor chlorine residual, pH, and temperature representative of the overall distribution system. The monitoring points for the additional monthly sampling cannot be the same monitoring points as taken under Tenn. Comp. R. & Regs. 0400-45-01-.41, the Revised Total Coliform Rule. If the Division requests revisions to this Study plan in writing, the Respondent shall have 30 days to respond with any amendments the Division requires. The Study must include maps to show any spatial trends in the monitoring points. The Study plan shall be submitted in duplicate to the Division to the Manager of the Compliance and Enforcement Unit, State of Tennessee, Division of Water Resources, William R. Snodgrass Bldg., 312 Rosa L. Parks Avenue, 11th Floor, Nashville, TN 37243 with a copy to the Manager of the Cookeville Environmental Field Office, Division of Water Resources, 1221 South Willow Avenue, Cookeville, Tennessee 38506.

- 2.) The Respondent shall complete the Study within 120 days of receipt of written approval from the Division, and submit the information to the Division at the addresses listed above.
- 3.) The Respondent shall submit the Corrective Action Plan (“CAP”) to the Division for approval within 60 days of the completion of the Study detailing actions required to provide customers with drinking water below the MCL for TTHM and HAA5. The CAP shall be submitted in duplicate to the addresses listed above. Upon approval of the CAP, the milestone dates and items contained within the CAP shall become an enforceable part of this Order. The Respondent shall make changes to the CAP, if required by the Division, within 30 days of notification of deficiency, and submit the revisions in duplicate to the addresses listed above. The CAP must address optimizing water age, storage tank mixing and maintaining a low tank turnover time (less than 5 days) at all times or establish/maintain a tank-specific turnover rate. The CAP must also address unidirectional flushing based on low chlorine residuals in the distribution system at optimum velocity for scouring.
- 4.) The Respondent shall fully implement the Division-approved CAP within 1 year of receipt of written approval, and send notice of CAP implementation to the Division at the addresses listed in item 1 no later than 30 days after completion of the CAP.
- 5.) **The Respondent is hereby assessed a CIVIL PENALTY of NINE THOUSAND, SIX HUNDRED DOLLARS (\$9,600.00) to be paid to the Division of Water Resources as follows:**

- A) **The Respondent shall pay ONE THOUSAND, NINE HUNDRED TWENTY DOLLARS (\$1,920.00) to the Division within THIRTY ONE (31) days of the receipt of this ORDER.**
- B) The Respondent shall pay FIVE HUNDRED DOLLARS (\$500.00) to the Division if, and only if, the Respondent fails to comply with item 1 above, payable within 30 days of receipt of a notice of violation.
- C) The Respondent shall pay TWO THOUSAND DOLLARS (\$2,000.00) to the Division if, and only if, the Respondent fails to comply with item 2 above, payable within 30 days of receipt of a notice of violation.
- D) The Respondent shall pay ONE THOUSAND DOLLARS (\$1,000.00) to the Division if, and only if, the Respondent fails to comply with item 3 above, payable within 30 days of receipt of a notice of violation.
- E) The Respondent shall pay FOUR THOUSAND, ONE HUNDRED EIGHTY (\$4,180.00) to the Division if, and only if, the Respondent fails to comply with item 4 above, payable within 30 days of receipt of a notice of violation.

The Director of the Division of Water Resources may, for good cause shown, extend the compliance dates contained within this Order and Assessment. To be eligible for this time extension, the Respondent shall submit a written request to be received a minimum of 30 days in advance of the compliance date. The request must include sufficient detail to justify such an extension and include at a minimum the anticipated length of the delay, the precise cause or causes of the delay, and all preventive measures taken to minimize the delay. Any such extension will be in writing.

Further, the Respondent is advised that the foregoing Order and Assessment is in no way to be construed as a waiver, expressed or implied, of any provision of the law or regulations. However, compliance with the Order and Assessment will be one factor considered in any decision whether to take enforcement action against the Respondent in the future.

Failure to comply with any of the requirements of this Order and Assessment could lead to further enforcement actions which may include additional civil penalties, assessment of damages, and/or recovery of costs.

This Order shall be considered closed no later than September 31, 2020, provided the Respondent has met all requirements of the Order and has paid all assessed penalties to the Department.

#### **NOTICE OF RIGHTS**

Tennessee Code Annotated §§ 68-221-712 and 68-221-713 allow the Respondent to appeal this Order and Assessment. To do so, a written petition setting forth the grounds (reasons) for requesting a hearing must be RECEIVED by the Commissioner within THIRTY (30) DAYS of the date the Respondent received this Order and Assessment or this Order and Assessment becomes final (not subject to review).

If an appeal is filed, an initial hearing of this matter will be conducted by an administrative law judge (“ALJ”) as a contested case hearing pursuant to the provisions of Tenn. Code Ann. § 4-5-301 *et seq.* (the Uniform Administrative Procedures Act) and Tenn. Comp. R. & Regs. 1360-04-01 *et seq.* (the Department of State’s Uniform Rules of Procedure for Hearing Contested Cases Before State Administrative Agencies). Such hearings are legal proceedings in the nature of a trial. Individual Respondents may represent themselves or be represented by an attorney licensed to practice law in Tennessee. Artificial Respondents (corporations, limited

partnerships, limited liability companies, etc.) cannot engage in the practice of law and therefore may only pursue an appeal through an attorney licensed to practice law in Tennessee. Low income individuals may be eligible for representation at reduced or no cost through a local bar association or legal aid organization.

At the conclusion of any initial hearing, the Board has the authority to affirm, modify, or deny the Order and Assessment. This includes the authority to modify (decrease or increase) the penalty within the statutory limits of Tenn. Code Ann. § 68-221-713 (from \$50 to \$5,000 per day per violation). Furthermore, the Board has the authority to assess additional damages incurred by the Department including, but not limited to, all docketing expenses associated with the setting of the matter for a hearing and the hourly fees incurred due to the presence of the ALJ and a court reporter.

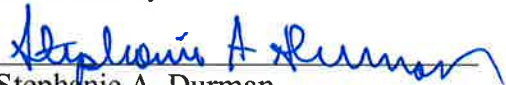
Any petition for review (appeal) must be directed to the Commissioner of the Department of Environment and Conservation, c/o Jenny L. Howard, General Counsel, Department of Environment and Conservation, William R. Snodgrass Tennessee Tower, 312 Rosa Parks Avenue, 2nd Floor, Nashville, Tennessee 37243. Payments of the civil penalty and/or damages shall be made payable to the “Treasurer, State of Tennessee” and sent to the Division of Fiscal Services - Consolidated Fees Section, Tennessee Department of Environment and Conservation, William R. Snodgrass Tennessee Tower, 312 Rosa Parks Avenue, 10th Floor, Nashville, Tennessee 37243. Technical questions and other correspondence involving compliance issues should be sent to Jessica Murphy, State of Tennessee, Division of Water Resources, William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, 11th Floor, Nashville, Tennessee 37243. Attorneys should contact the undersigned counsel of record. **The case number, DWS18-0021, should be written on all correspondence regarding this matter.**

Issued by the Director of the Division of Water Resources, Tennessee Department of Environment and Conservation, on this 23 day of April, 2018.



Tisha Calabrese Benton  
Director, Division of Water Resources  
TN Department of Environment and Conservation

Reviewed by:



Stephanie A. Durman  
BPR # 027783  
Assistant General Counsel  
Department of Environment & Conservation  
312 Rosa L. Parks Avenue, 2nd Floor  
Nashville, Tennessee 37243  
615-532-3020  
stephanie.durman@tn.gov



STATE OF TENNESSEE  
DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Division of Water Resources  
Cookeville Environmental Field Office  
1221 South Willow Avenue  
Cookeville, Tennessee 38506

Phone 931-520-6688

Statewide 1-888-891-8332

Fax 931-432-6952

August 28, 2019

The Honorable Mickey Robinson, Mayor  
City of Spencer  
Spencer Water System  
P.O. Box 187  
Spencer, TN 38585

**Certified Mail**  
**Return Receipt Requested**  
Receipt # **91 7199 9991 7039 9242 7632**

**RE: Notice of Violation and Compliance Review Meeting**  
Spencer Water System  
NPDES Permit No. TN0078182  
Van Buren County, TN

Dear Mayor Robinson:

On August 30, 2018, Division of Water Resources personnel conducted a Compliance Evaluation Inspection (CEI). During the inspection it was discovered that sludge from the backwash basin had been discharged into the receiving stream. A Notice of Violation was sent to Spencer Water System on September 24, 2018. A Compliance Review Meeting was held with Spencer Water System on October 11, 2018, to address the issues pertaining to NPDES Permit# TN0078182. A Corrective Action Plan (CAP) was submitted to the Division and approved on October 25, 2018. A follow-up site visit on December 27, 2018, found that sludge was no longer present in the receiving stream. On August 19, 2019, Division personnel conducted a site visit to the Spencer Water Treatment Plant to ensure the corrective actions are being followed by the water system as outlined in their previously approved CAP.

The volume of water entering the backwash basin is exceeding the capacity of the basin and enters the overflow in the basin; thus, continuously discharging into the roadside ditch then to the waters of the state. Due to the hydraulic overloading of the basin proper settling of the backwash water is not occurring. This is leading to the discharge of inadequately treated wastewater.

As a result of the site visit the following comments and deficiencies are noted:

- Evidence of sludge was found below the pipe leaving the backwash basin with dark color contrast to water in the wet weather conveyance.

- The wet weather conveyance carrying water away from the backwash basin is still severely eroding and depositing sediment into state waters located above the county road. The wet weather conveyance also shows evidence of discolored water and sludge material from the backwash basin that is also being deposited in the state waters located above the county road.
- Recent sludge deposits were present in the receiving stream below the county road leading to Spencer Water System's water supply lake. The water in the receiving stream is of objectionable color in areas and dark staining of rocks in the stream are present.

The above mentioned comments and deficiencies are **violations** of the General NPDES Permit for Discharges of Filter Backwash and Sedimentation Basin Washout from Water Treatment Plants sections: **5.2, 10.5, 11.1, 11.2, and 11.5**.

The violations of the General NPDES Permit for Discharges of Filter Backwash and Sedimentation Washout from Water Treatment Plants are **violations** of the Water Quality Control Act ("Act"). Tenn. Code Ann. § 69-3-115(a)(1)(B).

The discharge of sediment to the wet weather conveyance and stream by the eroding outfall are pollution to waters of the State and are **violations** of the Act. Tenn.CodeAnn. § 69-3-114(a).

The discharge of sludge to the wet weather conveyance and stream are pollution to waters of the State and are **violations** of the Act. Tenn. Code Ann. § 69-3-114(a).

#### **Corrective Action Plan:**

A Corrective Action Plan (CAP) will need to be submitted to the Division of Water Resources outlining steps to be taken by Spencer Water System to resolve issues regarding the backwash basin to maintain compliance with NPDES permit# TN0078182. The CAP should also notate corrective measures taken to bring the site into compliance with the Act. The Division requests that trackable dates are incorporated within the CAP to ensure compliance goals are met in a timely manner. This CAP will be due on September 24, 2019.

#### **Compliance Review Meeting:**

Your attendance is requested to discuss violations pertaining NPDES discharge, adverse impacts, and needed actions to bring and maintain compliance with the permit and the Act. You may bring any person, documents, or materials to the meeting. If you prefer, you may send a representative in your place. The meeting has been scheduled for September 24, 2019, at **9:00 a.m.** Central Time at the Cookeville Environmental Field Office. If the time provided presents a scheduling conflict please contact the Cookeville Environmental Field Office to reschedule.

Again, I would like to thank the Spencer Water System personnel for their assistance and courtesy. Please contact Lonnie McCloud or myself at (931) 520-6688 if you have questions, comments or need additional information.



Sincerely,



Brad Ulmer  
Environmental Field Office Manager  
Division of Water Resources  
Cookeville Environmental Field Office

Cc: DWR- Central Office  
Jessica Murphy- DWR Compliance & Enforcement  
File



This photo is looking to the north and shows the outfall pipe where it discharges into the wet weather conveyance. Filter backwash sludge may be seen on the ground.

**Date of Photograph:**  
August 19, 2019

**Geographic coordinates:**  
35.7679° N, 85.4691° W

**Photo by:**  
Tracy J. Daugherty

**Photograph 1 – Outfall Pipe**



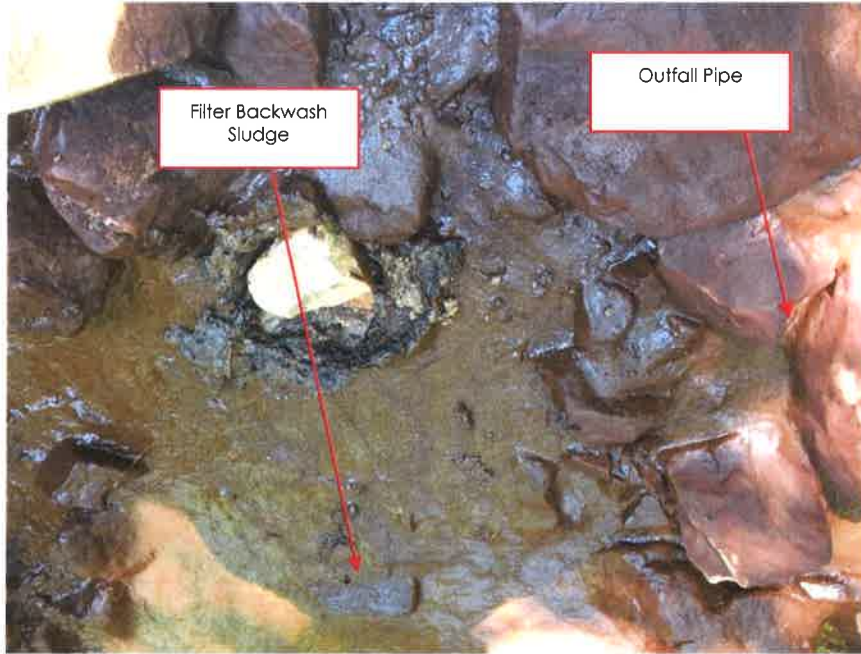
This photo looking to the east and shows excessive erosion in the wet weather conveyance below the outfall pipe.

**Date of Photograph:**  
August 19, 2019

**Geographic coordinates:**  
35.7678° N, 85.4691° W

**Photo by:**  
Tracy J. Daugherty

**Photograph 2 – Trench Excavation Below Discharge Pipe**



This photo is looking to the north and shows filter backwash sludge in the stream. Sludge was approximately 8' deep at this location.

**Date of Photograph:**  
August 19, 2019

**Geographic coordinates:**  
35.7674° N, 85.4689° W

**Photo by:**  
Tracy J. Daugherty

**Photograph 3 – Filter Backwash Sludge in Stream**



This photo is looking to the north and shows another location of filter backwash sludge in the stream. Sludge was approximately 6' deep at this location.

**Date of Photograph:**  
August 19, 2019

**Geographic coordinates:**  
35.7674° N, 85.4690° W

**Photo by:**  
Tracy J. Daugherty

**Photograph 4 – Filter Backwash Sludge in Stream**



STATE OF TENNESSEE  
**DEPARTMENT OF ENVIRONMENT AND CONSERVATION**  
**DIVISION OF WATER RESOURCES**

William R. Snodgrass - Tennessee Tower  
 312 Rosa L. Parks Avenue, 11<sup>th</sup> Floor  
 Nashville, Tennessee 37243-1102

September 10, 2019

The Honorable Mickey S. Robinson  
 Mayor of City of Spencer  
 P.O. Box 187  
 Spencer, TN 38585

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**  
**RECEIPT #**

Subject: **DIRECTOR'S ORDER NO. DWS18-0021**  
**SPENCER WATER DEPARTMENT**  
**RESPONSE TO CORRECTIVE ACTION PLAN**

Dear Mayor Robinson,

The Division received your letter dated December 6, 2018 with the results of the Distribution System Optimization Study (DSOS) and a discussion of possible Corrective Action Plan (CAP) actions. The letter indicated some options that might be considered but no clear path toward compliance and noted that the TOC levels were higher in the finished water than the raw water.

Based on the complexity of the disinfection byproduct (DBP) issues Spencer has, the Division has taken a considerable amount of time reviewing the December 6, 2018 submittal, including a review and on site visit by engineering staff within the Division and a review of the Preliminary Engineering Report (PER). There have also been additional disinfection byproduct violations for total trihalomethanes (TTHM) in the 4<sup>th</sup> quarter of 2019 and violations for both haloacetic acids (HAA5) and TTHM in the 2<sup>nd</sup> quarter of 2019.

The DSOS reported chlorine readings at a series of distribution points as well as a comparison of DBPs in the finished water at the Water Treatment Plant (WTP) and at two sites in the system. The DSOS results are considered inadequate since:

- 1) There was no analysis of the water age as determined by the chlorine samples and its impact on DBPs at those locations, much less proposed solutions to the water age.
- 2) There were no follow-on actions/investigations proposed for the treatment plant even though the results clearly showed that significant DBPs were present leaving the plant.
- 3) There is obviously a high total organic carbon (TOC) (DBPs precursors) from City Lake, the primary source water, but exact concentrations were not provided and no correlation to weather, lake level, pumping was provided. No determination of the source of TOC in the lake has been provided other than algae.
- 4) There is no data on TOC and no correlation to DBPs provided in the DSOS. There is insufficient TOC removal in the WTP. No process testing (jar testing) was done or reported to determine options for improving TOC removal process and impact on DBPs leaving the plant. There needs to be water treatment analyses (sequential jar testing) on City Lake water, Caney Fork water and 50-50 Caney Fork water to determine coagulants, pH and residence time for enhanced coagulation conditions for DBP precursor removal.

September 10, 2019  
Mayor Mickey S. Robinson  
Letter  
Page 2

- 5) Enhanced coagulation, pH requirements, coagulant doses, precursor removal achieved and potential DBP reductions in the plant finished water need to be examined. TOC removal efficiencies and correlate with UV254 readings for potential future plant instrumentation needs to be determined.

Based on the Divisional review of the Spencer DSOS, proposed CAP and PER, the DSOS and proposed CAP were not adequate and there is not a viable Corrective Action Plan. The City of Spencer is directed to initiate a new 180 day DBP study which must address the items discussed above. **Technical assistance by TDEC as discussed at the Rural Opportunity Summit may be relevant to the path forward.** The study must be approved by the Division prior to the start of the study. It may be appropriate to incorporate other issues addressed in the PER and divisional concerns with the PER within the overall plant and distribution system study.

If you or your attorney has questions concerning this correspondence, please contact Tom Moss at (615) 532-0170 or you may contact Jessica Murphy at (615) 532-0676.

Jessica Murphy, Manager  
Compliance and Enforcement Unit

EJM: TAM

cc: DWR – EFO-CK  
DWR – Compliance File  
OGC



JASON E. MUMPOWER  
*Comptroller*

## **Town of Mason**

### **Staff Summary:**

The Town of Mason (“the Town”) does not currently have an open financial distress case in front of the Water & Wastewater Financing Board (“the Board”). According to its 2019 audit, the Town has roughly 930 water customers and 300 sewer customers. Board staff is aware of issues regarding the financial status of the utility. The Town has repeatedly been late filing its audits with the Comptroller’s office. The 2020 audit remains delinquent. The Town has also failed to supply its contracted CPA with the information necessary to complete timely audits. Further, the supporting document titled “Town of Mason COT Timeline”, authored by the Comptroller’s Division of Local Government Finance, demonstrates a pattern of unlawful financial practices which call into question the financial sustainability of the Town’s utilities.

Board staff is unable to determine the overall financial health of the utility because the Town has not submitted its 2020 or 2021 audits. The utility’s financial health is especially important due to the likelihood of growth alongside Ford’s investment in the Memphis Regional Megasite.

Board staff recommends that the Board order an investigation to report on the status of the City’s utility.

### **Staff Recommendation:**

Order the following:

1. Board staff shall investigate the Town’s utility to address the Town’s financial, technical, and managerial capacity to comply with any applicable federal and state acts.
2. Board staff shall, with the full authority of the Board, issue subpoenas for the Town’s mayor, governing body, utility manager, and any other necessary staff, to appear in-person before the Board at its first meeting of 2022 if the Town does not comply fully with the Board’s investigation.
3. Board staff shall update the Board as to the status of this investigation at its next meeting on March 24, 2022.

## Town of Mason COT Timeline

### Overview

Tenn. Code Ann. § 7-34-115(a)(1) provides that “[n]o public works shall operate for gain or profit or as a source of revenue to a governmental entity, but shall operate for the use and benefit of the consumers served by such public works and for the improvement of the health and safety of the inhabitants of the area served....All water systems and wastewater facilities must utilize an enterprise fund for accounting and reporting its operations.” This provision prohibits payment to the general fund of an amount exceeding “a cumulative return of six percent (6%) per annum of any equity invested from the general fund, if any, of the municipality.” Tenn. Code Ann. § 7-34-115(a)(1)(H). If a municipality fails to comply with the provisions “it must repay any funds illegally transferred. If the municipality does not have sufficient funds to repay any funds illegally transferred, the municipality is required to submit a plan covering a period not to exceed five (5) years in which to repay the funds.” Tenn. Code Ann. § 7-34-115(f).

Mason is currently about to start the third repayment plan in a decade and the current amount owed to the utility is estimated at greater than 50% of the general fund’s FY 2022 revenues.

### History

Upon review of the 2011 financial statements, the Comptroller’s Division of Local Government Finance, “LGF”, observed the Town’s General Fund owed \$17,468 to the Water and Sewer Fund. In addition, the Water and Sewer Fund owed \$141,919 to the Gas Fund. In a letter dated January 15, 2013, LGF instructed the Town to either repay any monies illegally transferred by March 2013 or adopt a corrective action plan ordinance.

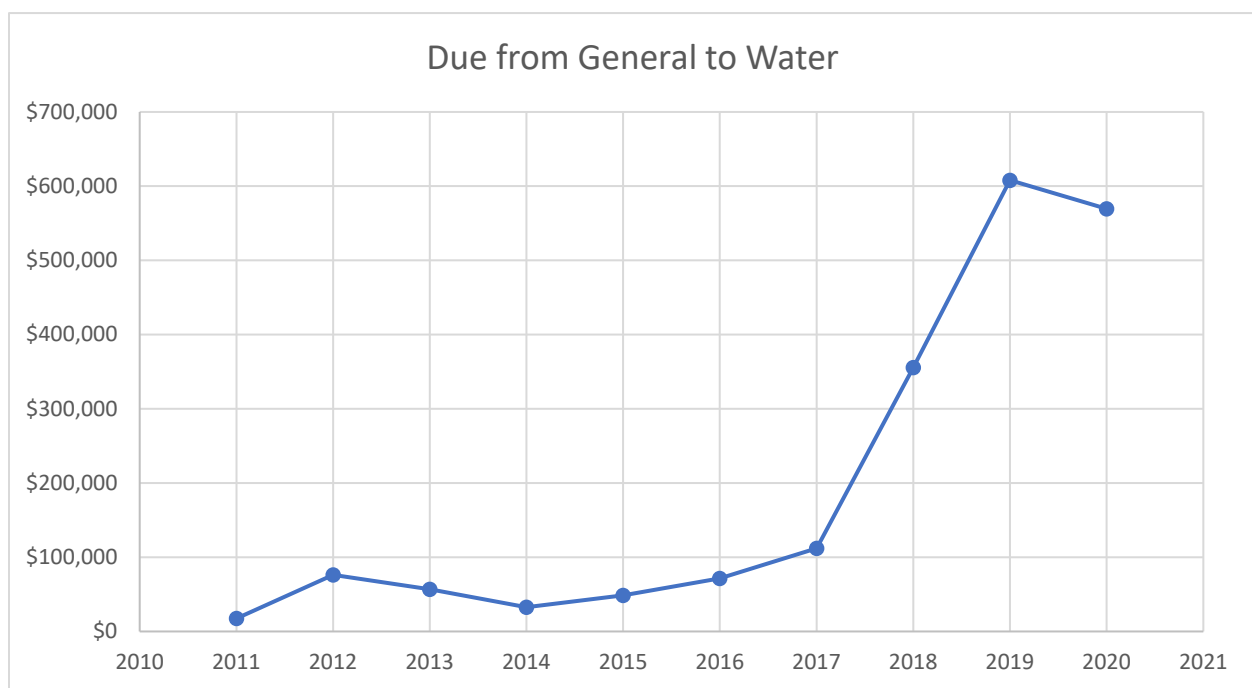
Upon review of the 2013 financial statements, LGF observed the Town’s General Fund owed \$57,002 to the Water and Sewer Fund. In addition, the Water and Sewer Fund owed \$141,919 to the Gas Fund. In a letter dated May 21, 2015, LGF instructed the Town to either repay any monies illegally transferred by August 2015 or adopt a corrective action plan ordinance.

The Town submitted Ordinance No 2015-11-09, adopted November 30, 2015, to outline a five-year repayment plan for monies illegally transferred from enterprise to operating funds. The first repayment was to begin in fiscal year 2017. Under this plan, if the Town fulfilled its legal obligation to follow the adopted correction action plan, the monies illegally transferred would have been reimbursed by the end of fiscal year 2021. However, according to the Town’s most recent audit (fiscal year 2019; submitted 18 months late), the General Fund owed the Water and Sewer Fund \$609,047, and the Water and Sewer Fund owed the Gas Fund \$263,606 as of fiscal year 2019. Per the Town’s own estimations, as of June 30, 2021, the General Fund owes the Water and Sewer Fund \$513,589, and the Gas Fund owes the Water and Sewer Fund \$84,430.

Apart from the illegal transfers between the Water and Sewer Fund and the Gas Fund, LGF does not have evidence the Town is making a substantial effort to remedy the illegal transfers between the enterprise and operating funds. To compound issues, the Town is consistently late in submitting audits. For example, the 2014 and 2015 audits were submitted in 2017, the 2016 audit was submitted in 2019,

the 2017 and 2018 audits were submitted in 2020, the 2019 audit was submitted in 2021, and the 2020 audit is currently late.

Once our office received the late audits and became aware of the exponential growth in the due to due from balance between the General Fund and the Water and Sewer Fund, LGF sent the Town a letter dated November 6, 2020, in which we asked for a reassessment of the due to due from balances. In addition, we requested the remaining delinquent audits to be filed. Once our office receives the 2020 audit, we will have a better estimate of the due to due from balance between the General Fund and the Water and Sewer Fund. Our office will then be able to prescribe a corrective action plan. As of now, we expect the required annual reimbursement payments from the General Fund to the Water and Sewer Fund to be uncomfortably large.



NOTE – The 2020 value in the above chart is based on the Town’s estimates. We are still waiting for the 2020 audit.





Jason E. Mumpower  
Comptroller

September 23, 2021

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

Dear Mayor Gooden and Board of Aldermen:

This letter acknowledges receipt of a certified copy of the fiscal year 2022 budget.

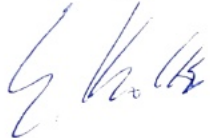
### **Budget Not Approved**

During our review of the budget we noted that, as of this date, the Town has failed to file audited financial statements with the Comptroller's office for fiscal year 2020. Audited financial information is necessary to our review and analysis, therefore, we cannot approve the Town's fiscal year 2022 budget. Pursuant to state law the Town may not issue debt or financing obligations without an approved budget from our office. *This is the third consecutive annual budget that we have not approved because of the Town's delinquent audits.*

The Town's governing body needs to file its audit with the Comptroller's Office for fiscal year 2020 and take steps to ensure future audits are filed no later than six months after fiscal year end. Timely audited financial information is essential to the budget adoption process.

If you should have questions or need assistance, please refer to our online resources on our website or feel free to contact your financial analyst, Adam Tschida, at 615-747-5340 or [Adam.Tschida@cot.tn.gov](mailto:Adam.Tschida@cot.tn.gov).

Very truly yours,



Betsy Knotts  
Director of the Division of Local Government Finance

cc: Ms. Jean Suh, Contract Audit Review Manager, Local Government Audit

BK:at

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

	Water and Sewer Fund	Natural Gas Fund	Total
<b>Assets</b>			
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	<u>928,857</u>	<u>508,352</u>	<u>1,437,209</u>
Capital assets:			
Land	92,708	-	92,708
Construction in process	2,073,172	48,551	2,121,723
Capital assets, net of accumulated depreciation	<u>1,033,282</u>	<u>395,385</u>	<u>1,428,667</u>
Total capital assets	<u>3,199,162</u>	<u>443,936</u>	<u>3,643,098</u>
<b>Total assets</b>	<b><u>4,128,019</u></b>	<b><u>952,288</u></b>	<b><u>5,080,307</u></b>
<b>Liabilities</b>			
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	<u>29,000</u>	<u>29,000</u>	<u>58,000</u>
Total current liabilities (payable from current assets)	<u>369,175</u>	<u>32,300</u>	<u>401,475</u>
Noncurrent liabilities:			
Notes payable	<u>292,000</u>	<u>292,000</u>	<u>584,000</u>
Total noncurrent liabilities	<u>292,000</u>	<u>292,000</u>	<u>584,000</u>
<b>Total liabilities</b>	<b><u>661,175</u></b>	<b><u>324,300</u></b>	<b><u>985,475</u></b>
Net position:			
Net investment in capital assets	2,878,162	122,936	3,001,098
Unrestricted	<u>588,682</u>	<u>505,052</u>	<u>1,093,734</u>
Total net position	<u>3,466,844</u>	<u>627,988</u>	<u>4,094,832</u>
<b>Total liabilities and net position</b>	<b><u>4,128,019</u></b>	<b><u>952,288</u></b>	<b><u>5,080,307</u></b>

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

*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>
<b>Cash flows from operating activities:</b>			
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>
 <b>Cash flows from capital and related financing activities:</b>			
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>
 <b>Cash flows from investing activities:</b>			
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>
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,987</b>	<b>(152,828)</b>	<b>(148,841)</b>
 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
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
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	<u>177,638</u>	<u>(10,830)</u>	<u>166,808</u>
Net cash provided (used) by operating activities	<u>\$ 112,784</u>	<u>\$ (121,397)</u>	<u>\$ (8,613)</u>

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

**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**  
**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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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		<u>977,263</u>
Governmental activities eliminated		(64,116)
Proprietary activities eliminated		<u>(263,606)</u>
Total		<u>\$ 649,541</u>

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	<u>642,000</u>
Total long-term debt	<u>\$ 900,868</u>

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**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
June 30, 2019

**FINANCIAL STATEMENT FINDINGS**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status/Current Year Finding</b>
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, 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

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Mason TN 38049  
901-294-3525 Phone  
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### **MANAGEMENT'S CORRECTIVE ACTION PLAN**

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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