

IN THE CHANCERY COURT OF TENNESSEE FOR THE  
TWENTIETH JUDICIAL DISTRICT, DAVIDSON COUNTY

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THE MAYOR and BOARD OF ALDERMEN  
of the TOWN OF MASON, TENNESSEE, a  
duly organized and incorporated municipal  
government of the State of Tennessee,

Petitioner

v.

THE STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY,

Respondent.

No.: CH-

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EMERGENCY PETITION FOR DECLARATORY JUDGMENT AND INJUNCTIVE  
RELIEF

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TO THE HONORABLE CHANCELLORS OF DAVIDSON COUNTY CHANCERY COURT:

COME NOW your Petitioner, THE MAYOR AND BOARD OF ALDERMAN OF THE TOWN OF MASON, TENNESSEE (“Mason”), the Petitioner in the case styled above (the “Petitioner”) against the Respondent, THE STATE OF TENNESSEE COMPTROLLER OF THE TREASURY (“Comptroller” or “Defendant”), by and through its attorneys, Terry Clayton, Van D. Turner, Jr., Janette Louard, Anthony P. Ashton, and Joseph R. Schottenfeld, for the purpose of respectfully showing the Court the following:

**Introduction**

1. This case involves a rural town in Tennessee that is on the verge of great financial growth. Mason is predominantly African-American and under predominantly African-American leadership—its Mayor, Vice Mayor, and Financial Officer are all African-American. Under

previous leadership, Mason incurred debt which its then-leaders failed to repay. Under its current leadership, however, Mason has taken steps to cut the debt in half, and it has proposed austerity measures that will allow it to repay all amounts owed within 27 months.

2. Despite the fact that Mason has been making regular payments toward that debt for more than one year, Defendant seeks to strip Mason of its autonomy. In an unprecedented move, Defendant actually wrote directly to the residents of Mason to try to convince them to surrender Mason's charter. If Mason were to surrender its charter, Mason would essentially dissolve into the surrounding majority white county with predominantly white leadership. That county would then receive benefits that otherwise would go to Mason. Defendant is aware that Mason, under its current African-American leadership, is on track to repay its debt.

3. When the leadership of Mason announced that it would not relinquish its charter, Defendant threatened Mason with financial takeover, and proposed drastic restrictions that had not existed while Mason was under the previous predominately white leadership that actually caused the debt. Defendant told Mason's African-American leadership that it is being stripped of all financial autonomy and can spend no more than \$100 without the prior approval of Defendant. As a result, even in emergency situations in which the health and wellbeing of Mason's residents are at risk. Defendant's alleged statutory authority to take immediate control is non-existent. The text of the only statute cited by Defendant to justify the proposed actions does not provide the authority claimed.

4. Moreover, the proposed treatment of Mason and its leadership is marked by irregularities and differs significantly from the treatment of similarly situated predominantly white jurisdictions. For example, predominately white jurisdictions under white leadership, facing more

dire financial straits over a longer period of time, have not been subjected to the unfettered control that Defendant is seeking to exercise over Mason.

### **PARTIES**

5. Petitioner Mason is a duly organized and incorporated municipal government corporation location in Tipton County, Tennessee.

6. Respondent / Defendant Comptroller, is a state agency for the State of Tennessee whose duties include making an accurate accounting of all accounts and claims due to or owed by the state, ensuring accurate accounting of all taxes collected by local officials, reporting the state's financial status to the General Assembly, providing materials for local tax collectors, auditing the accuracy of local tax rolls, and alerting local prosecutors to tax collectors who did not properly perform their duties. The Comptroller may be served with process at the State of Tennessee, Office of the Attorney General, Post Office Box 20207, Nashville, Tennessee 37202-0207.

### **JURISDICTION AND VENUE**

7. All events which form the basis of this Petition occurred in the State of Tennessee.

8. Venue is properly situated in Davidson County Chancery Court pursuant to Tenn. Code Ann. § 4-4-104.

9. This Court has jurisdiction over this matter pursuant to Tenn. Code Ann. § 16-11-103.

### **BACKGROUND**

10. This petition involves the unlawful efforts by Jason Mumpower, the Comptroller of the Treasury ("Defendant"), to exert approval control over the finances of Mason, Tennessee ("Mason") in an excess of his statutory power as Comptroller and in violation of the Equal Protection Clause of the Federal Constitution and Article I, section 8 and Article XI, section 8 of

the Tennessee Constitution, which the Tennessee Supreme Court has concluded provide “essentially the same protection” as the Equal Protection Clause of the United States Constitution. The Defendant’s violations of Mason’s rights threaten immediate and irreparable harm for Mason, Mason’s leaders, and Mason’s residents.

11. Defendant claims that he has the authority to force Mason, beginning on Monday, April 4, 2022, to make monthly payments of an outstanding debt to Mason’s Water and Sewer Fund “before *any* other expenditures can be made.” See March 28, 2022, Letter from Betsy Knotts, Director of the Division of Local Government Finance of the Comptroller of the Treasury. A true and correct copy of which is attached hereto as Exhibit 1. Moreover, Defendant has taken the position that Mason must request pre-approval for each and every financial expenditure by the town that is over \$100.

12. As the Comptroller’s authority for this requirement, Defendant cites Tennessee Code § 9-21-403(c).<sup>1</sup> But that statute does not provide authorization for Defendant’s complete takeover of Mason’s finances. Indeed, instead of acting under the authority of law, Defendant’s attempt to exert this ultra vires form of approval control reflects his longstanding attempt to co-opt and coerce Mason, its leadership, and its inhabitants on account of the fact that the town and its leadership are predominantly African-American.

13. Mason, which was established in 1858 and incorporated as a town in 1871, is a small town in Tipton County with a population of only 1337 people.

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<sup>1</sup> Mason does not currently contest that it owes \$258,220 to its Water and Sewer fund under Tenn. Code. Ann. § 7-34-115. It has clearly demonstrated its intention to pay that debt off as quickly as possible and in compliance with recent discussions over the amount owed. At this time, Mason contests Defendant's authority under §9-21-403 (c) to seize its finances and mandate the intrusive oversight laid out in the March 28, 2022 letter.

14. Three points about Mason are particularly relevant to this action and to the Comptroller's attempt to take over Mason's finances. First, nearly 70% of Mason's population is African-American, as is much of its current leadership, including the Mayor and the Vice Mayor of Mason.<sup>2</sup>

15. Second, financial mismanagement by the previous leadership of Mason, which was almost exclusively white, forced Mason into debt. When that mismanagement came to light in 2016, Mason's previous leadership resigned *en masse*; at least one former Mason leader was indicted because of the financial misdeeds.

16. Since that time, Mason and its new town leaders, who include Petitioners, have steadily paid back Mason's debt and remedied Mason's financial standing. Doing so has not been easy, but Mason's financial standing today is far stronger than it was previously.

17. Finally, Mason is situated five miles from the site of one of Ford's large new electric battery manufacturing plants: Blue Oval City.

18. Mason and its residents stand to profit from Blue Oval City. The \$5.6 billion-dollar project is anticipated to create 6,000 jobs directly and another 27,000 jobs indirectly. Building the plant, which is slated to begin this year and will take place over the course of three years, will require nearly 30,000 construction workers; many of these workers will live and spend money in Mason. Beyond the immediate economic impact of the construction itself, Blue Oval City will drive significant growth across a range of industries in the region, with Mason set to become a prime location for commercial and residential real estate development.

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<sup>2</sup> See U.S. Census Bureau, P2 Hispanic or Latino, and Not Hispanic or Latino By Race – Table, <https://data.census.gov/cedsci/table?q=Mason%20CCD,%20Tipton%20County,%20Tennessee%20Populations%20and%20People&g=1600000US4746420&tid=DECENNIALPL2020.P1>.

19. Blue Oval was announced on September 28, 2021. Nearly from that moment on, Defendant has sought to disrupt the affairs of Mason. Per Defendant's own timeline, and excepting a single letter in November 2020, the Tennessee Comptroller had only intermittent engagement with Mason prior to September 2021. But, following the announcement of Blue Oval, Defendant's office has sought nearly twice monthly "touch-base" meetings with Mayor Gooden, Mason's financial consultant, and their acting Financial Officer. Now, with construction slated to begin shortly and Mason standing to profit from the influx of labor and money, Defendant has taken the inconsistent and irregular step of trying to seize Mason's finances and pressure the town to dissolve its charter.

20. Defendant's extreme, and statutorily and constitutionally indefensible, course action appears to have begun on February 18, 2022, when Defendant appeared at a town hall in Mason and shocked residents and town officials alike by calling for Mason to dissolve its charter or face harsh financial oversight. On March 3, 2022, Defendant continued to target and undercut Mason's leadership by sending Mason's residents a highly irregular letter, in which he sought again to convince them to rescind the Town's charter. Defendant stated in this letter that, "[i]n my opinion, it's time for Mason to relinquish its charter."

21. Dissolution of the town charter would cause Mason to be subsumed by Tipton County, ensuring that the predominantly white county, and not Mason or its predominantly African-American residents, would profit from the tax dollars that will flow from Blue Oval. Neither Defendant nor his office have the power to revoke or alter the charter of a duly incorporated Town in the state of Tennessee.

22. On March 14, after Mason officials voted to refuse to dissolve the Town's charter, Defendant moved to take control of Mason's finances.

23. On March 17, 2022, Defendant sent Mason leadership a letter in which he stated that, pursuant to Tennessee Code Annotated § 9-21-403(c), he would impose onerous controls over Mason's finances that would force Mason to seek his office's approval for each and every expenditure over than \$100.

24. In relevant part, § 9-21-403(c) authorizes the Comptroller to gather information from and audit certain local governments to ensure that those governments have a balanced budget. If they do not, the Comptroller may "direct the governing body of the local government to adjust its estimates, to reduce expenditures, or to make additional tax levies sufficient to comply with this chapter."<sup>3</sup>

25. But this provision does not establish that Defendant has the authority to exert the control he seeks here: to require Mason to receive his office's approval before any expenditure

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<sup>3</sup> In full, the section provides:

The state director of local finance shall require any periodic information from a local government which has issued notes under this chapter or under prior authorizing statutes and make such audits as the director may deem necessary, to the end that it may be ascertained that the budget is kept balanced during the life of the notes. The annual budget of each local government with notes outstanding shall be submitted to the state director of local finance immediately upon its adoption. The state director of local finance must thereupon determine whether or not the budget will be in balance in accordance with the provisions of this chapter. If the budget does not comply with the provisions of this chapter, then the state director shall have the power and the authority to direct the governing body of the local government to adjust its estimates or to make additional tax levies sufficient to comply with the provisions of this chapter. Any budget adopted by the governing body of a local government which had notes outstanding at the beginning of the fiscal year which were issued under the provisions of this chapter or under the provisions of prior statutes shall not become the official budget for the fiscal year until such budget is approved by the state director. The state director shall approve the budget only when the state director is satisfied that it complies with the provisions of this chapter.

Tenn. Code Ann. § 9-21-403 (c).

over \$100. As the provision states, Defendant may collect information sufficient for his office to supervise a local government's fiscal health and may specifically require the local government "to adjust its estimates, to reduce expenditures, or to make additional tax levies sufficient to comply with this chapter." Nowhere, however, does the text of the provision even contemplate the form of approval authority that Defendant claims to exercise against Mason now. In short, Defendant's actions are "in excess of the statutory authority of" the Office of the Comptroller. Tenn. Code Ann. § 4-5-322(h).

26. Instead of an exercise of the comptroller's authority under Tennessee statute, Defendant's actions violate the Equal Protection Clause of Fourteenth Amendment to the United States Constitution and Article I, section 8 and Article XI, section 8 of the Tennessee Constitution. These constitutional provisions prohibit government officials from applying laws in an irregular or discriminatory fashion.

27. The pronounced impact of the decision on Mason and its predominantly African-American leadership and residents, the background and "sequence of events" leading up to Defendant's actions, and the unorthodox and unprecedented nature of Defendants' actions all demonstrate that Defendant's attempted financial takeover of Mason runs afoul of equal protection principles under both the United States and Tennessee Constitution. *See Village of Arlington Heights v. Metropolitan Housing Development Corp.*, 429 U.S. 252, 266-7 (1977).

28. The fact that the attempted takeover is being perpetrated only now—rather than years ago, when Mason's white leadership actually caused the financial issues complained of—demonstrates that Defendant's timing and alleged justification are neither rational nor plausible. Defendant's actions are inconsistent with typical government actions and Defendant's own history of handling jurisdictions experiencing financial difficulties.



29. Indeed, despite Defendant's claims that Mason is in an untenable financial situation, Mason and its new town leaders, who include Petitioners, have steadily paid back Mason's debt and remedied Mason's financial standing. Since the departure of Mason's previous leadership, Mason has consistently paid down its debts without assistance from Defendant. In fact, despite owing \$608,047 as of June 22, 2021, Mason has rapidly paid off its debt in recent months and currently owes only \$258,220.

30. Putting Mason on the right financial track has not been easy. At times, Mason has, for example, struggled to complete its audits. When Mayor Gooden's administration began in 2018, the 2014 and 2015 audits were still outstanding. But Mason's financial team, which currently consists solely of a part-time Financial Officer, Mayor Gooden, and Vice-Mayor Rivers, has worked diligently with their auditor and have completed five of the outstanding audits in the last three years. Mason has had financial difficulties in the past, but Mason's financial standing today is far stronger than it has been in years.<sup>4</sup>

31. In light of Mason's consistently improving financial state, Defendant's attempt to seize Mason's finances now, despite neglecting the town for years, is unnecessary and likely instead only to cause irreparable harm.

32. Defendant's actions are also a clear departure from the traditional procedures followed by the Tennessee Comptroller. The Comptroller's office has only stepped in to take over

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<sup>4</sup> In an attempt to repay the Balance as quickly as possible, Mason has also requested Defendant's assistance in obtaining \$140,000, plus interest, that is owed to the town by Tipton County. Until seven years ago, Tipton County paid \$20,000 per year in fire allocation. The county's budgets show that it continued to budget that amount each year since then, but it failed to remit payment to Mason. Tipton County did so despite making such payments to other cities. These funds would nearly pay off Mason's remaining debts, but this money has not been made available to Mason.

aspects of financial control from local elected officials in two other recent instances—with Van Buren County in 2020 and with the city of Jellico between 2013 and 2018.<sup>5</sup>

33. But Defendant treated these localities very differently than Defendant seeks to treat Mason. For instance, Van Buren County which is 96% white, was recently described by Defendant as “in worse financial condition than any other county in this state.” In fact, before the Comptroller took action against Van Buren, the county was nearly \$9 million dollars in debt, had only “\$1,395 in cash left in budget,” and was forced to lay off seven employees in one month.<sup>6</sup>

34. But, despite the gravity of Van Buren’s financial situation, Van Buren retained far greater flexibility than what Defendant has provided Mason. The Comptroller did not exert his supposed approval control over all expenditures by Van Buren. Instead, Van Buren was required to submit additional reports on its finances and received an unrestricted loan from the state legislature amounting to roughly \$680,000. While Defendant was not responsible for the legislature’s loan, it is incongruous that Van Buren, which was in a significantly more dire financial position than Mason, would be granted latitude and support, while Mason is required potentially to subvert basic municipal functions to address debts it has successfully been paying off for years.

35. The case of Jellico, which is 93% white, similarly features marked departures from the causes for and actions by Defendant here. Defendant exercised only limited oversight of Jellico’s finances, and did so immediately after Jellico’s city recorder was indicted for stealing nearly \$100,000 from public funds.

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<sup>5</sup> More than 30 years ago, in the only other instance of a Comptroller’s financial takeover Defendant’s office also exercised some financial control over Polk County.

<sup>6</sup> Emily R. West, *Van Buren County Teeters on Financial Takeover* Jackson Sun (July 22, 2020).

36. With Jellico, the Comptroller's Office mandated only weekly approval of the city's expenditures and required the city to adjust its internal financial reporting structures. That weekly approval is far less onerous than the approval control Defendant seeks to place on Mason for each and every expense over \$100. See Affidavit of Reva Marshall attached as Exhibit 2.

37. Most importantly, unlike both Jellico and Van Buren County, Mason has dramatically improved its financial situation over the past few years. What's more, neither of those jurisdictions expected a multi-billion-dollar business to emerge near them. So, rather than stepping in to try to save the finances of a city or county on the brink, Defendant targets Mason at a time when its financial position is sturdy and improving—and when it stands to gain even sounder economic footing from the construction of the Blue Oval Plant.

38. Rather than help Mason or its residents, Defendant's actions will have profound consequences for all.

39. During a March 29, 2022 videoconference with Defendant's agent, Ms. Knotts, the Mason Financial Officer was told that, regardless of the time of day or day of the week, the protocol for handling emergencies would be that first responders at the site of an emergency would assess the problem, but would not be permitted to immediately address an emergency if it would require the expenditure of any funds. Instead, first responders would have to contact the financial officer, who in turn would have to contact Ms. Knotts or her designee. Ms. Knotts or her designee would then have complete discretion to determine whether (and, in effect, when) the first responders could proceed with seeking to remedy the emergency situation.

40. Put simply, it would be disastrous to have emergency services depend on a chain of telephone calls, with the ultimate decisions related to the health and well-being of citizens being made by accountants 180 miles away, rather than by first responders at the scene.

41. The protocol set forth by the Comptroller's Office would also require that the Financial Officer, a part-time employee, be on-call 24 hour a day, seven days a week.

42. In short, the proposed plan is unfeasible and would decrease the safety of all residents of Mason.

43. Indeed, as set forth in the Vice Mayor's affidavit, Defendant's efforts will also harm Mason because they will undermine Mason's ability to hire and retain critical city employees, including police to address Mason's law enforcement needs. Not only will prospective employees not want to accept offers from Mason, but Mason will also be uncertain over how to proceed with making newly conditional offers. Since the public became aware of Defendant's efforts to take over Mason's finances, Mason has not been able to backfill officers or hire new employees. Prospective employees do not want to come work for Mason, because they are concerned about the financial stability of Mason as a result of the very public nature of the Comptroller's efforts. Moreover, the uncertainty over the state of our finances means that Mason is uncertain of how responsibly to extend an offer to prospective employees, because their employment or pay might be interrupted (or even stopped) by Defendant. *See* Affidavit of Virginia Rivers attached as Exhibit 3.

44. Furthermore, the Comptroller's efforts impede Mason's ability to make payroll. Defendant's March 28, 2022 Letter provides, in part, that "[b]eginning April 4, 2022, the Town's General Fund will begin the new minimum monthly payment amount of \$9,564 to the Water and Sewer Fund. The monthly payment must be made before any other expenditures can be made." Under these terms, Mason may not pay expenditures, like its payroll for its employees, before making its monthly payment. But failing to pay such employees amounts owed creates the potential for catastrophic consequences for Mason residents who depend upon services performed

by these employees. When employees do not get paid, they likely do not work. Moreover, any failure to pay wages owed likely would subject Mason to liability for violation of state and federal labor laws.

45. Additionally, Defendant's actions put in jeopardy Mason's ability to continue conducting basic municipal services. As the Mayor of Mason explains in his affidavit, 95% of Mason's expenditures are over \$100, including essential functions like repairs to water and sewage lines. Under the Defendant's proposed plan, these expenditures would need to be independently approved, lengthening the process for repair and requiring Mason residents to go without necessary utilities until Defendant provides approval. As noted, in emergency situations, such as a watermain break, the situation would be dire. *See* Affidavit of Emmit Gooden, attached as Exhibit 4.

46. Based on Defendant's proposed \$100 restriction, Mason would not even be able to pay for gasoline or diesel fuel for vehicles belonging to the fire department, police department, or public works department without first seeking approval from Defendant.

47. Defendant's proposed restrictions would strain multiple departments of Mason, because they would not be able to make timely purchases, request vendors services, or purchase items needed for daily operations. Departments would not be able to fill vacant positions as needed, contributing to potential worker and administrator overload.

48. The proposed restrictions put Mason's credit rating at risk and would also harm Mason's relationships with its vendors. The waiting period required by Defendant would cause lapses in payments to vendors, potentially resulting in gaps in services to Mason's residents. The approval process spelled out by the Comptroller's Office may result in vendors seeking to discontinue services.

49. In return for these devastating consequences, Defendant's actions do nothing to further the fiscal health of Mason, because Mason is already paying down its debt.

50. All told, there is no basis to believe that Defendant is acting rationally to improve Mason's financial standing.

51. Instead, Defendant's actions will irreparably harm Mason, its leaders, and its residents.

52. This Court should act immediately to protect the Town of Mason and all those who live within it from Defendant's unlawful actions.

**COUNT I**  
**DECLARATORY JUDGMENT**

53. Petitioner incorporates by reference and re-alleges each and every preceding allegation, as though fully set forth herein.

54. Courts have the power under Tennessee law "to declare rights, status, and other legal relations whether or not further relief is or could be claimed." Tenn. Code Ann. § 29-14-102(a).

55. Defendant claims to act pursuant to Defendant's authority under Tennessee Code Annotated § 9-21-403(c). But that provision nowhere gives the Comptroller the power to approval all expenditures of a local government over \$100.

56. Accordingly, Petitioner seeks a declaration from this Court that the Comptroller does not have the power to take full control of Mason's financial expenditures pursuant to § 9-21-403(c).

57. If these parties' rights are not declared, Mason, its leaders, and its residents will suffer grave harm from Defendant's financial takeover efforts under § 9-21-403(c).

**COUNT II**  
**VIOLATION OF STATE LAW**

58. Petitioner incorporates by reference and re-alleges each and every preceding allegation, as though fully set forth herein.

59. Tennessee law prohibits state agencies and actors from taking actions that are “in excess of the statutory authority of the agency.” Tenn. Code Ann. § 4-5-322(h).

60. Defendant has pointed exclusively to § 9-21-403(c) as justification for attempting to seize control of Mason’s financial expenditures.

61. Because § 9-21-403(c) does not provide Defendant with the power to exert approval control over each and every expenditure of Mason over \$100, Defendant is acting “in excess of the statutory authority” of the Comptroller.

**COUNT III**  
**VIOLATION OF EQUAL PROTECTION CLAUSE & THE TENNESSEE  
CONSTITUTION**

62. Petitioner incorporates by reference and re-alleges each and every preceding allegation, as though fully set forth herein

63. The Fourteenth Amendment to the U.S. Constitution prohibits states from “deny[ing] to any person within its jurisdiction the equal protection of the laws.” U.S. Const. amend. XIV, § 1; *see also* Tenn. Const. art. I; Tenn. Const. art. XI § 8.

64. Defendant has violated the Equal Protection Clause of the Fourteenth Amendment and Article XI Section 8 of the Tennessee Constitution by trying to take over Mason’s finances without proper justification and because most of the town’s leadership and residents are African-American.

**PRAYER FOR RELIEF**

**WHEREFORE, THE AFORE-DESCRIBED PREMISES CONSIDERED,** the Petitioner prays:

1. That its Petition be received and filed and that process issue to Respondent according to law, to appear before this Honorable Court within the time prescribed by law, and to then and there plead, answer, or otherwise defend this petition;

2. That the Court immediately grant Petitioner its first application for injunctive relief and grant Petitioner the requested Temporary Restraining Order and Injunction pursuant to Tennessee Rule of Civil Procedure 65.

3. That the Court enter a decree declaring that Defendant does not have the authority under § 9-21-403(c) Statute to exert approval control over each and every expenditure by Mason.

4. That the Court enter a decree declaring that Defendant's actions the Equal Protection Clause of the Federal Constitution and Article I, section 8 and Article XI, section 8 of the Tennessee Constitution;

5. That the Court award Petitioner all money damages it has incurred because of Respondent's actions;

6. That the Court award Petitioner attorney fees pursuant to the relevant law;

7. That the Court award Petitioner any other necessary relief, both general and specific, to which it may be entitled.

**THIS IS THE PETITIONER'S FIRST APPLICATION FOR INJUNCTIVE RELIEF.**



Respectfully submitted,

**LAW OFFICES OF TERRY CLAYTON**

*/S/ TERRY R. CLAYTON, ESO.*

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\*Pro hac vice motion to be filed



# EXHIBIT

1



JASON E. MUMPOWER  
*Comptroller*

March 28, 2022

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

Dear Mayor Gooden and Board of Aldermen:

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

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

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

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

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

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

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

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

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

1. Initial Request for Information:
  - Budget to actual for each fund as of March 1, 2022; ✓-Received
  - Last 3 months of bank statements (account numbers redacted and fund clearly marked on each page); ✓-Received
  - Contact information for the individual from Mason with financial knowledge that will work with the Comptroller's Office as the main contact; ✓-Received
  - Listing of current grants being administered; ✓-Received
  - Listing of all ongoing and planned capital and maintenance projects; ✓-Received
  - List of current and proposed employees and contractors (including wage, all benefits, and titles for positions); and ✓-Received
  - List and copies of all contractual agreements, including agreements for contract employees. ✓-Received
2. Open and maintain separate bank accounts for the following funds:
  - Water/Sewer ✓-Done
  - Sanitation ✓-in Process
  - Gas ✓-Done
  - General ✓-Done
  - State Street Aid ✓-Done

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

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

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

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

*Recurring Submission Items Beginning April 4, 2022:*

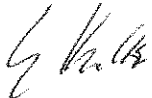
1. A weekly expense approval request, as explained during our virtual workshop on March 21, 2022, including any planned financial transfers and other transactions between funds or bank accounts. The weekly expense approval request must include the following forms:
  - Spending Form (Excel File—Tabs 1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

**Rules:**

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

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

Very truly yours,



Betsy Knotts  
Director of the Division of Local Government Finance

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

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

# EXHIBIT

2

**IN THE CHANCERY COURT OF TENNESSEE FOR THE  
TWENTIETH JUDICIAL DISTRICT AT NASHVILLE, DAVIDSON COUNTY**

---

THE MAYOR and BOARD OF ALDERMAN  
of the TOWN OF MASON, TENNESSEE, a  
duly organized and incorporated municipal  
government of the State of Tennessee,

Petitioner

v.

THE STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY,

Respondent.

No.: CH-\_\_\_\_\_

---

**AFFIDAVIT OF REVA MARSHALL**

---

I, **REVA MARSHALL**, after being duly sworn, state under oath as follows:

1. I am REVA MARSHALL, I am over 18 years of age, and I make this affidavit from my own personal knowledge.
2. I am the Financial Officer for the Town on Mason, Tennessee (“Mason”). I have held this position since April 2019. In my role as Financial Officer, I am responsible for the finances for Mason, and I am the only employee who performs such functions for Mason.
3. On or about March 28, 2022, Mason received a letter from Betsy Knotts, Director of the Division of Local Government Finance of the Comptroller of the Treasury (“Comptroller’s Office”). A true and correct copy of the March 28, 2022 letter is attached hereto as Exhibit A.
4. On March 29, 2022, I had a videoconference with Ms. Knotts, Steve Osborne, Adam Tchida, and Sheila Reed, all of the Comptroller’s Office. During that videoconference, I posed questions regarding Mason’s ability to promptly address any emergencies in light of the



restrictions on spending any funds without prior approval from the Comptroller's Office. In response, the representatives of the Comptroller's Office stated that they would allocate an undisclosed amount for emergencies. No indication was given what that amount would be or what the Comptroller's Office would use as its criteria for setting the amount.

5. During the March 29, 2022 videoconference, I was told that, regardless of the time of day or day of the week, the protocol for handling emergencies would be that first responders at the site of an emergency would assess the problem, but would not be permitted to immediately address any particular emergency if it would require the expenditure of any funds. Instead, the first responders would have to contact me, and I would then have to contact Ms. Knotts or her designee. Thereafter, Ms. Knotts or her designee would have complete discretion to determine whether the first responders could proceed with seeking to remedy the emergency situation. Put simply, this process would cause significant delay during emergency situations. The ability of Mason to provide emergency services would be dependent upon a chain of telephone calls. Indeed, the ultimate decisions related to the health and well-being of citizens would be made by accountants 180 miles away, rather than by first responders at the scene. The protocol set forth by the Comptroller's Office would also require that I, the only employee who performs financial functions for Mason, be on-call 24 hour a day, seven days a week. This is a part-time job; therefore, the proposed plan is unfeasible and would potentially lead to unacceptable delay and a decrease in the safety of all residents of Mason.

6. Emergencies that Mason has faced during my tenure included the following: a sewer main back-up and water well malfunctions that directly affected water entering the homes of residents; IT issues for town-owned computer equipment that caused a disruption in services to residents; breakdowns of town-owned vehicles, *e.g.*, police cars, fire department vehicles, tractors,

backhoes, etc.; accidents involving police and fire department vehicles; replacement of firefighter protective gear damaged in the line of duty; and HVAC repairs for town-owned buildings.

7. The March 28, 2022 letter provides, in part: “[b]eginning April 4, 2022, the Town’s General Fund will begin the new minimum monthly payment amount of \$9,564 to the Water and Sewer Fund. The monthly payment must be made before any other expenditures can be made. A copy of the payment check must be sent to the Comptroller’s Office the following day.” As shown from this language, the Comptroller’s Office is mandating that Mason not pay such expenditures such as payroll of Mason employees, including police officer, firefighters, members of the public works department, or administrators, before making a monthly payment. Failing to pay such employees amounts owed creates the potential for catastrophic consequences for Mason residents who depend upon services performed by these employees. Any failure to pay wages owed would subject Mason to liability for violation of state and federal labor laws.

8. I am a part-time Mason employee who works 15-20 per week. Based upon all the restrictions included in the March 28, 2022 letter, it would take an additional 20-30 hours a week to complete the required documents in addition to any required weekly task that is already placed upon the Finance Department. With the additional workload that is placed on the Financial Officer this will cause the work hours to increase to 35+ hours a week with a part-time salary. This increase in hours will be due to Comptroller’s unduly burdensome and unnecessary request of documents. The requested documents are required to be submitted weekly and approval for payment will not be given to the Financial Officer until the end of each week.

9. Pursuant to the Comptroller’s proposed plan, the following additional tasks would be required and would necessarily increase the amount of work including::

- Weekly payroll submission for each employee:

- Listing employee title, salary/hourly rate, payroll amount, overtime amount, taxes withholding, benefits, and breakdown of percentage per fund.
  - We currently have a payroll system that process and calculate on a bi-weekly basis that is set with our budget. The Comptroller is requiring that I manually break payroll down each week and submit weekly. This will require at least an additional 8+ hours of work each week.
- Weekly purchases:
  - Listing of all vendors to be paid or requesting of service for Town daily operation.
    - Description and purpose, amount, department, and if budgeted.
  - Any purchases over \$100 (which is 95% of Mason invoices) will require me to submit an Expense Approval Form detailing payee, amount, fund, budget line-item number, purchase orders, and budget amendment (if applicable).

10. Vehicle fuel is currently being sold at the highest rate it has been during my tenure as Financial Officer. Based upon the \$100 restriction, Mason would not be able to pay for gasoline or diesel fuel for vehicles belonging to the fire department, police department, and/or public works department without prior approval.

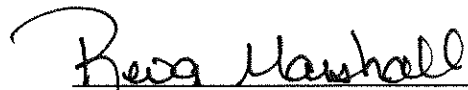
11. The Comptroller's Office's proposed restrictions would create a strain on multiple departments of Mason because they would not be able to make timely purchases and/or request vendors services and/or items needed for daily operations. Departments would be subjected to undue delay in regard to any decision to fill vacant positions as needed. With regard to the police department, such inability would result in a decrease in public safety and revenue to Mason. With regard to the public works, this delay would result in a potential decrease in the health and welfare of the community.

12. The Comptroller's Office's proposed restrictions would potentially harm Mason's relationships with its vendors. The restrictions put at risk Mason's credit rating. The waiting period required by the Comptroller's Office would cause lapsed payments to vendors, potentially

resulting in gaps in services to Mason's residents. The approval process set forth by the Comptroller's Office potentially may result in vendors seeking to discontinue services. Such services include Skycop service which helps Mason law enforcement.

13. Attached as Exhibits B through D are forms that the Comptroller's Office mandates must be completed on a daily and/or weekly basis.

**FURTHER AFFIANT SAITH NOT.**

  
REVA MARSHALL

**STATE OF TENNESSEE**

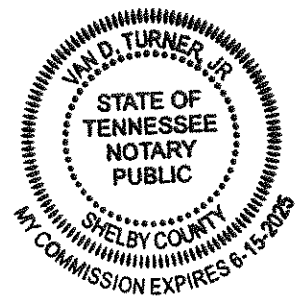
**COUNTY OF SHELBY**

Personally appeared before, REVA MARSHALL, who signed the foregoing Affidavit in my presence and, under oath, stated that he had personal knowledge of the facts contained in the foregoing Affidavit and that those facts were true and correct, to the best of his knowledge, information and belief.

Sworn to and subscribed before me, the undersigned Notary Public, in and for the aforesaid state and county on this the 1<sup>st</sup> day of April, 2022.

  
NOTARY PUBLIC

MY COMMISSION EXPIRES: 6-15-2025



# EXHIBIT

A



JASON E. MUMPOWER

*Comptroller*

March 28, 2022

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

Dear Mayor Gooden and Board of Aldermen:

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

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

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

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

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

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

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

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

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

1. Initial Request for Information:

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

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

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

**Updated Corrective Action Plan:**

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

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

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

*Recurring Submission Items Beginning April 4, 2022:*

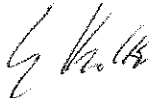
1. A weekly expense approval request, as explained during our virtual workshop on March 21, 2022, including any planned financial transfers and other transactions between funds or bank accounts. The weekly expense approval request must include the following forms:
  - Spending Form (Excel File—Tabs 1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

**Rules:**

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

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

Very truly yours,



Betsy Knotts  
Director of the Division of Local Government Finance

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

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



# **EXHIBIT**

## **B**

Date Submitted:

I, \_\_\_\_\_, request approval for the attached planned expenses. I attest the information is complete and accurate and all expenses have been appropriated by the governing body and only Comptroller approved expenses will be made for a municipal purpose and in the best interest of the Town's taxpayers.

Submitter:

Mayor:

The tabs in the spreadsheet template provide a comprehensive overview of the Town's total requested payroll expenses and purchases during the upcoming period.

### Select Payroll Tab Descriptions

*Employee Number (column A)* – The employee number is an internal metric used to track payroll progress. The payroll number is associated with the corresponding title. For example, if the Town inputs Utility Worker / Public Works in cell B7, the Utility Worker defaults to employee number one (cell A7).

*Payroll Amount (column D)* – Input ONLY regular wage expense for the respective employee. Exclude overtime and bonuses (if applicable).

*Overtime Amount (column E)* – Input ONLY overtime expense for the respective employee. Exclude regular wages and bonuses (if applicable).

*Taxes Withheld (column F)* – input payroll tax expense for the respective employee.

*Benefits (column G)* – Input benefit expense for the respective employee.

*Total (column H)* – Excel will calculate the sum of payroll, overtime, taxes withheld, and benefits to derive a total compensation expense for the respective employee.

*Fund Percentages (columns I – K)* – Specify the portion (percentage) of the respective employee's salary expense to be paid out of each fund.

### Payroll Example

Suppose payroll expense for an example Town employee is as follows:

Classification	Amount	Include in Column:
Payroll Amount	\$1,000	Column D
Overtime Amount	100	Column E
Taxes Withheld	15	Column F
Benefits	50	Column G
Total Compensation Expense	\$1,165	Column H (auto calculated)



# EXHIBIT

C



## Town of Mason - Expense Approval Form

\*All expenses over \$100 **excluding** payroll must be included on this form.  
\*All expenses must be submitted by Monday COB of each week, for approval by Friday. Submissions after Monday will be reviewed the following week.

Submitted by:

Date:

Payee:

Amount:

Paying Fund Name:

If this expense required a budget amendment, who/what is funding source?

### After completing above, please answer the following questions:

Yes No

- Was this expense approved in the original budget? ·
- if yes, what page?
  - if no, please provide an explanation of this expense:

Yes No

- Is there an approved purchase order for this expense?
- if yes, attach
  - if no, you will need an approved purchase order for this expense approval.

Yes No

- Does this expense require a budget amendment?
- if yes, please include a copy of the adopted budget amendment with this form.

Yes No

- Does the Paying Fund have enough cash to pay this expense without temporarily using money from another fund?

*Notes:*

*\*Splitting invoices to reduce payable amount is not permitted.*

# EXHIBIT

D

Submitted By: Sample Person All expenses over \$100 excluding payroll must also use an "Expense Report Form."

Date Submitted: 3/25/2022

Purchase Period Beginning: 4/4/2022 and Ending: 4/8/2022



# Tennessee Comptroller of the Treasury

Item	Vendor Check will be written to	Description of item and Municipal Purpose	Amount of Purchase	Fund	Department	Is this Expense in the Budget? (Y/N)	Amount Approved by Comptroller
1	ABC Company	Gas for Police Vehicles	75.00	General	Police	Y	75.00
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
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24							
25							
26							
27							
28							
29							
30							

75.00

75.00

# EXHIBIT

3

**IN THE CHANCERY COURT OF TENNESSEE FOR THE  
TWENTIETH JUDICIAL DISTRICT AT NASHVILLE, DAVIDSON COUNTY**

---

THE MAYOR and BOARD OF ALDERMAN  
of the TOWN OF MASON, TENNESSEE, a  
duly organized and incorporated municipal  
government of the State of Tennessee,

Petitioner

v.

THE STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY,

Respondent.

No.: CH-\_\_\_\_\_

---

**AFFIDAVIT OF VIRGINIA RIVERS**

---

I, **VIRGINIA RIVERS**, after being duly sworn, state under oath as follows:

1. I am VIRGINIA RIVERS, and I make this affidavit from my own personal knowledge.
2. I am over the age of 18. I have served as an Alderwoman in the Town of Mason, Tennessee (“Mason”) since 2016 and as the Vice Mayor since 2021.
3. As Vice Mayor, I am directly involved in handling all of Mason’s affairs. My responsibilities include responding to Mason’s citizens, managing Mason’s employees, overseeing Mason’s finances, and dealing with county and state officials.
4. I first became aware of the State Comptroller’s determination to take control of Mason’s finances at the start of January, when the Comptroller issued an ultimatum to us with respect to Mason’s charter. On March 17, the Comptroller described his intention to take over Mason’s finances by letter. And on March 28, a letter from Betsy Knotts, the Director of the



of the Comptroller of the Treasury, described what the specific terms of the Comptroller's takeover of Mason's finances would be.

5. The State Comptroller's efforts to take over Mason's finances will directly and severely harm Mason, Mason's employees, and citizens, and me.

6. The Comptroller's efforts will harm Mason because they will undermine Mason's ability to hire and retain critical city employees, including our ability to hire police to address our law enforcement needs. Not only will prospective employees not want to accept offers from Mason, but we will also be uncertain over how to proceed with making newly conditional offers.

7. This is not a speculative harm. To my knowledge, three police officers have already left since the Comptroller's announcement of his intentions to take over Mason's finances. Two did so because they were afraid that the Comptroller's efforts to control our finances would interfere with their job stability, since every financial decision would be determined by the Comptroller. The third left during the delay in hearing back from the Comptroller's Office over whether the Comptroller's Office would accept our five-year plan to pay back our debt.

8. Since we became aware of the Comptroller's efforts to take over our finances this winter, we have not been able to backfill these officers or hire new employees. Prospective employees do not want to come work for Mason, because they are concerned about the financial stability of Mason because of the very public nature of the Comptroller's efforts. Moreover, the uncertainty over the state of our finances means that we are unsure of whether we can responsibly extend an offer to prospective employees, because their pay might be interrupted (or stopped) by the Comptroller's Office—or the Office might deny our request to hire someone.

9. Because of attrition in Mason's workforce, and our inability to hire new employees, we will be less able to serve and respond to our citizens and at greater risk of disaster once the

Comptroller's Office's takes over our finances. Those Mason employees who remain will also be forced to work longer hours to ensure that the Town of Mason is meeting the needs of its constituents.

10. The Comptroller's takeover will also undercut our ability to respond to emergencies by limiting the speed at which we can respond to the needs of our citizens. Because the Comptroller's Office must approve every financial expenditure over \$100, we will no longer be able to respond effectively to a natural disasters or infrastructure failures. For example, if a waterline bursts, we will need to bring in a maintenance crew and buy the parts to fix the waterline. Under the terms of the Comptroller's intended plan of oversight, we would not be able to do so without first getting approval from the Comptroller's Office. Indeed, we would have no assurances with respect to how long it might take for us to get that approval; even an hour or two of unnecessary delay could cause catastrophic water damage to homes and city property.

11. This is not a hypothetical example. In January, for example, we had a sewage problem that forced the Water Department Director to call in a private company for repairs. Had we waited to do so, there would have been even greater damage to our infrastructure. Once the Comptroller's Office controls Mason's finances, the Water Department Director would first need to get approval from the Comptroller before acting, a delay that would almost certainly cause additional damage.

12. The Comptroller's takeover will also interfere with our ability to respond to non-emergent citizen needs in a meaningful way and—counterproductively—raise the costs of our operations. For example, Mason regularly receives complaints about potholes or issues with our streets that must be fixed. Under the proposed terms of oversight by the Comptroller, however, we would not be able to provide our citizens with any certainty over when we would be able to make

any repairs, even simple ones. Delays will contribute to higher costs, too, because we would not be able to make any repairs in a timely manner and must instead get approval for every repair or every worker hired, thus causing unnecessary delay and inefficiency.

13. Our inability effectively to respond to citizen needs will be demoralizing to Mason leaders and employees, and devastating to Mason citizens who have urgent issues that will go without remedy because of lags in Comptroller approval.

14. The proposed takeover will also destroy Mason's reputation and financial credibility. Because the Comptroller's Office must approve every expenditure over \$100, our creditors will have an added degree of uncertainty over whether they will be paid on-time. Additionally, in the past, we have often applied for grant funding to use for city services, like purchasing fire department equipment. But, under the Comptroller's proposed plan, we would not be able to apply for additional grant funding without approval from the Comptroller's Office. This is particularly relevant for grants that require Mason to provide matching funds, which we've applied for and received in the past. We would need first to get approval to apply for the grant and to pay out the matching funds.

15. Finally, the Comptroller's takeover will also harm my ability to work effectively as Vice Mayor, just as it will harm many of our other town leaders and employees. For the past month, a considerable amount of my time has been spent dealing with the State Comptroller's efforts to take over Mason's finances. Every day for the past week, for example, I have had multiple calls and meetings with representatives from the Comptroller's Office and with other Mason officials to try to determine how to act in accordance with the Comptroller's restrictions on Mason. These hours of meetings and calls have detracted from my ability to perform other tasks related to my

role as Mason's Vice Mayor. If the Comptroller takes over our finances, we will have to meet to discuss and plan every detail in a manner that will be untenable.

16. We are all unsure of pay, worried over whether we can perform our roles effectively, and afraid that we cannot respond to Mason's citizens' needs.


**FURTHER AFFIANT SAITH NOT.**

  
\_\_\_\_\_  
VIRGINIA RIVERS

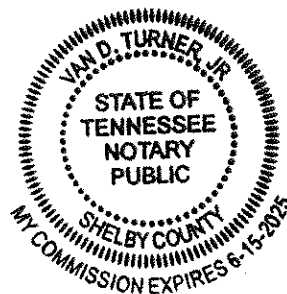
**STATE OF TENNESSEE**  
**COUNTY OF SHELBY**

Personally appeared before, VIRGINIA RIVERS, who signed the foregoing Affidavit in my presence and, under oath, stated that she had personal knowledge of the facts contained in the foregoing Affidavit and that those facts were true and correct, to the best of her knowledge, information, and belief.

Sworn to and subscribed before me, the undersigned Notary Public, in and for the aforesaid state and county on this the 1<sup>st</sup> day of April, 2022.

  
\_\_\_\_\_  
NOTARY PUBLIC

MY COMMISSION EXPIRES: 6-15-2025



# EXHIBIT

4

**IN THE CHANCERY COURT OF TENNESSEE FOR THE  
TWENTIETH JUDICIAL DISTRICT AT NASHVILLE, DAVIDSON COUNTY**

---

THE MAYOR and BOARD OF ALDERMAN  
of the TOWN OF MASON, TENNESSEE, a  
duly organized and incorporated municipal  
government of the State of Tennessee,

Petitioner

v.

THE STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY,

Respondent.

No.: CH-\_\_\_\_\_

---

**AFFIDAVIT OF EMMIT GOODEN**

---

I, **EMMIT GOODEN**, after being duly sworn, states under oath as follows:

1. I am EMMIT GOODEN, and I make this affidavit from my own personal knowledge.
2. I am over 18 years of age, of sound mind and capable of making affidavit.
3. I am the current Mayor of the town of Mason, Tennessee (“Mason”) and have served in this position since December 17, 2018
4. On or about March 28, 2022, Mason received a letter from Betsy Knotts, Director of the Division of Local Government Finance of the Comptroller of the Treasury (“Comptroller’s Office”). A true and correct copy of the March 28, 2022 letter is attached hereto as Exhibit A. This letter made clear the intention of Comptroller’s Office to seize Mason’s finances and mandate approval for all expenditures over \$100.

5. If the Tennessee State Comptroller's Office is allowed to exercise this kind of control over Mason's finances and require approval for all expenditures over \$100, Mason and its residents will suffer irreparable harm.

6. 95% of Mason's expenditures are of \$100 including basic municipal functions, such as repairs to water and sewage lines.

7. Under the Comptroller's oversight these expenditures would need to be independently approved lengthening the process for repair and requiring Mason residents to go without necessary utilities or to entertain continuing disruption of their property and lives while approval is acquired. In emergency situations, such as a watermain break, the situation will be more dire.

8. On March 29, 2022, there was a videoconference with Ms. Knotts, Steve Osborne, Adam Tchida, and Sheila Reed, all of the Comptroller's Office. During that videoconference, questions were posed about how Mason would be able to respond to emergencies in light of the restrictions on spending any funds without prior approval from the Comptroller's Office. In response, the representatives of the Comptroller's Office stated that they would allocate an undisclosed amount for emergencies. No indication was given what that amount would be or what the Comptroller's Office would use as its criteria for setting the amount.

9. During the March 29, 2022 call, it was made clear that regardless of the time of day or day of the week, the protocol for handling emergencies would be that first responders at the site of an emergency would assess the problem, but would not be permitted to immediately address any particular emergency if it would require the expenditure of any funds. Instead, the first responders would have to contact Reva Marshall, Mason's part-time Financial Officer, who in turn would have to contact Ms. Knotts or her designee. Ms. Knotts or her designee would then have

complete discretion to determine whether the first responders could proceed with seeking to remedy the emergency situation.

10. As a result, if, for instance, a watermain breaks, Mason residents will be without water until Ms. Marshall, can be contacted and then delayed further while she contacts the Comptroller's Office and gets approval. Should the watermain break on a weekend or after business hours, when the Comptroller's office is closed, or when Ms. Marshall is unavailable, Mason residents may need to wait hours or days, at best, to have repairs begin. And should repairs require additional purchases over \$100, each of these will need to be independently approved further delaying the repairs. Meanwhile, Mason residents will be without water causing direct, and dire, consequences for their health and wellbeing, particularly as necessities such as heat and plumbing will also be impacted.

11. Emergencies of this sort are not speculative. Over the last few years Mason has faced a sewer main back-up and water well malfunctions that directly affected water entering the homes of residents; IT issues for town-owned computer equipment that caused a disruption in services to residents; breakdowns of town-owned vehicles, *e.g.*, police cars, fire department vehicles, tractors, backhoes, etc.; accidents involving police and fire department vehicles; replacement of firefighter protective gear damaged in the line of duty; and HVAC repairs for town-owned buildings.

12. Even should an emergency of this sort not arise during the Comptroller's control of Mason's finances, the town of Mason and its residents will still be irreparably harmed unless they are able to retain independent control of their finances.

13. Mason has recently made great strides to ensure that it has sufficient municipal employees, namely public works officers and police officers, to serve the town. However, if the



Comptroller is allowed to seize Mason's finances it is very unlikely that these employees will remain on Mason's payroll and Mason's residents will be left without much needed municipal services.

14. Without independent control of its expenditures, Mason cannot ensure that any payment will be approved and so will be unable to assure municipal employees that they will be paid and that their salaries will be paid on time.

15. Similarly, as Mason will not be able to ensure that municipal employees have the tools and resources necessary to do their work on any given day, the very work of municipal employees will be significantly impeded. Simple tasks that currently take minutes or hours may take days or longer as municipal employees are required to get approval, through the Financial Manager, from the Comptroller's Office for nearly any expenditures.

16. Without the ability to do their jobs properly and with a great deal of uncertainty as to their pay, qualified candidates will undoubtedly seek work elsewhere and Mason, and its residents, will be left to hire untrained or unqualified workers or simply to go without.

17. In particular, without financial independence, Mason will be unable to ensure that its, already understaffed, police department is able to adequately provide for residents. Beyond the uncertainty surrounding salaries and daily funding, Mason will be unable to provide for overtime pay for police officers. As a result, Mason may simply find itself without a police force once its officers reach their contractual workhour limit.

18. The salaries of Mason's executive officials, such as that of the Vice-Mayor and myself, will be put at risk as well.

19. Additionally, requiring Comptroller approval for nearly all expenditures, rather than lowering spending, is likely to increase spending as necessary projects will have their

timelines extended, substantially increasing labor costs for any given project, to account for extended approval timelines.

20. Being precluded from engaging in necessary public works to keep the town running, having a police department unable to keep residents safe because of a simple lack of people power, and being forced to pay substantially more for projects constitutes irreparable harm to the town and its residents.

21. Mason's relationship with the vendors it uses to engage in public works and other municipal projects, which has only recently improved through the substantial effort of the Mayor's Office, is also likely to sour as necessary payments, including those that are already scheduled, come in late or are outright denied by the Comptroller's Office. Many vendors, unwilling to put up with this uncertainty, will simply refuse to work with Mason delaying existing projects and impacting the ability of future projects to be accomplished.

22. Those vendors that continue to work with Mason will be unable to rely upon Mason's promise to pay in the future and, as a result, Mason, and its taxpayers, will be forced to pay higher prices as vendors calculate the risk of non-payment, or delayed payment, into their prices. Mason's residents are likely to receive slower, lower quality and more expensive public works projects because of the Comptroller's oversight causing the town and its residents irreparable harm.

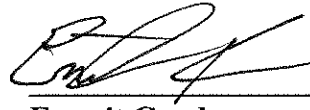
23. Finally, existing monthly payments, such as a continuing repayment of loans for municipal vehicles, which the town has been dutifully paying under the current administration will be put at risk should Comptroller approval be required. If Mason is unable to pay these reoccurring payments, due to delay or denial from the Comptroller's Office, which we can neither anticipate nor plan for, Mason's credit and ability seek these sorts of loans in the future will be impacted.

Being able to take out loans and buy equipment and materials for the town is a necessary function of municipal government.

24. The Comptroller's oversight would substantially disrupt Mason's ability to enter into these arrangements in the future and irreparably harm both the town and its residents who rely upon the services these loans enable.

25. Attached as Exhibits B through D are forms that the Comptroller's Office mandates must be completed on a daily and/or weekly basis.

**FURTHER AFFIANT SAITH NOT.**



**Emmitt Gooden**

**STATE OF TENNESSEE**

**COUNTY OF SHELBY**

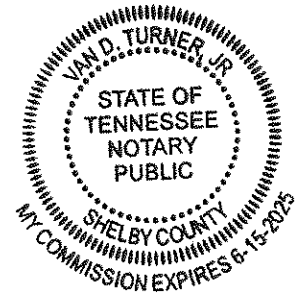
Personally appeared before, EMMIT GOODEN, who signed the foregoing Affidavit in my presence and, under oath, stated that he had personal knowledge of the facts contained in the foregoing Affidavit and that those facts were true and correct, to the best of his knowledge, information and belief.

Sworn to and subscribed before me, the undersigned Notary Public, in and for the aforesaid state and county on this the 31<sup>st</sup> day of MARCH, 2022.



NOTARY PUBLIC

MY COMMISSION EXPIRES: 6-15-2025



# EXHIBIT

A



JASON E. MUMPOWER  
*Comptroller*

March 28, 2022

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

Dear Mayor Gooden and Board of Aldermen:

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

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

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

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

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

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

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

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

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

1. Initial Request for Information:

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

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

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

**Updated Corrective Action Plan:**

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

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

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

*Recurring Submission Items Beginning April 4, 2022:*

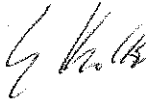
1. A weekly expense approval request, as explained during our virtual workshop on March 21, 2022, including any planned financial transfers and other transactions between funds or bank accounts. The weekly expense approval request must include the following forms:
  - Spending Form (Excel File—Tabs 1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

**Rules:**

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

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

Very truly yours,



Betsy Knotts  
Director of the Division of Local Government Finance

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

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

# **EXHIBIT**

## **B**



Date Submitted:

I, \_\_\_\_\_, request approval for the attached planned expenses. I attest the information is complete and accurate and all expenses have been appropriated by the governing body and only Comptroller approved expenses will be made for a municipal purpose and in the best interest of the Town's taxpayers.

Submitter:

Mayor:

The tabs in the spreadsheet template provide a comprehensive overview of the Town's total requested payroll expenses and purchases during the upcoming period.

### Select Payroll Tab Descriptions

*Employee Number (column A)* – The employee number is an internal metric used to track payroll progress. The payroll number is associated with the corresponding title. For example, if the Town inputs Utility Worker / Public Works in cell B7, the Utility Worker defaults to employee number one (cell A7).

*Payroll Amount (column D)* – Input ONLY regular wage expense for the respective employee. Exclude overtime and bonuses (if applicable).

*Overtime Amount (column E)* – Input ONLY overtime expense for the respective employee. Exclude regular wages and bonuses (if applicable).

*Taxes Withheld (column F)* – Input payroll tax expense for the respective employee.

*Benefits (column G)* – Input benefit expense for the respective employee.

*Total (column H)* – Excel will calculate the sum of payroll, overtime, taxes withheld, and benefits to derive a total compensation expense for the respective employee.

*Fund Percentages (columns I – K)* – Specify the portion (percentage) of the respective employee's salary expense to be paid out of each fund.

### Payroll Example

Suppose payroll expense for an example Town employee is as follows:

Classification	Amount	Include in Column:
Payroll Amount	\$1,000	Column D
Overtime Amount	100	Column E
Taxes Withheld	15	Column F
Benefits	50	Column G
Total Compensation Expense	\$1,165	Column H (auto calculated)



# EXHIBIT

C



## Town of Mason - Expense Approval Form

\*All expenses over \$100 **excluding** payroll must be included on this form.

\*All expenses must be submitted by Monday COB of each week, for approval by Friday. Submissions after Monday will be reviewed the following week.

Submitted by:

Date:

Payee:

Amount:

Paying Fund Name:

If this expense required a budget amendment, who/what is funding source?

### After completing above, please answer the following questions:

Yes No

- Was this expense approved in the original budget? ·
- if yes, what page?
  - if no, please provide an explanation of this expense:

Yes No

- Is there an approved purchase order for this expense?
- if yes, attach
  - if no, you will need an approved purchase order for this expense approval.

Yes No

- Does this expense require a budget amendment?
- if yes, please include a copy of the adopted budget amendment with this form.

Yes No

- Does the Paying Fund have enough cash to pay this expense without temporarily using money from another fund?

*Notes:*

*\*Splitting invoices to reduce payable amount is not permitted.*

# EXHIBIT

D

Submitted By: Sample Person All expenses over \$100 excluding payroll must also use an "Expense Report Form."

Date Submitted: 3/23/2022

Purchase Period Beginning and Ending: 4/4/2022 - 4/8/2022



**Tennessee Comptroller of the Treasury**

Item	Vendor Check will be written to	Description of item and Municipal Purpose	Amount of Purchase	Fund	Department	Is this Expense in the Budget? (Y/N)	Amount Approved by Comptroller
1	ABC Company	Gas for Police Vehicles		75.00 General	Police	Y	75.00
2							
3							
4							
5							
6							
7							
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75.00

75.00