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May 17, 2025

Tennessee Comptroller of the Treasury

Division of Local Government Audit

Cordell Hull Building

425 Rep. John Lewis Way N.

Nashville, TN 37243

Subject: Request for State Audit of the City of South Pittsburg, Tennessee

Dear Director of Local Government Audit,

I am writing as a concerned resident of South Pittsburg, Tennessee, to request a state audit of the city's financial operations, as authorized by the Tennessee Comptroller of the Treasury. My request is prompted by findings in the City of South Pittsburg's 2024 Annual Financial Report (fiscal year ended June 30, 2024), prepared by Waycaster CPA, LLC, and specific concerns about the lack of transparency regarding funds received and expended for the Annual National Cornbread Festival. I believe these issues warrant a thorough investigation to ensure fiscal accountability, compliance with state laws, and proper management of public resources.

The 2024 audit report identifies a material noncompliance issue that raises significant concerns:

1. Noncompliance with T.C.A. § 9-2-102(b) (Finding [2024-001](#), p. 70): The city failed to close its accounting records within 60 days of the fiscal year-end (August 31, 2024), violating state law. The audit attributes this to the turnover of a key management employee, which delayed reconciliations and year-end adjustments. This noncompliance suggests weaknesses in the city's financial reporting processes and internal controls, potentially impacting transparency and decision-making. A state audit is necessary to assess the extent of these issues and ensure future compliance.

Additional concerns from the audit report further justify a comprehensive review:

1. **Grant Management Delays:** The city reported \$738,925 in unearned grant revenue, primarily from federal sources like the Coronavirus State and Local Fiscal Recovery Funds (Statement of Net Position, p. 11). This indicates delays in expending or implementing grant-funded projects, which could lead to noncompliance with grant terms or repayment obligations. Additionally, the General Fund's federal and state grant revenues fell short by \$465,819 (General Fund Budget, p. 17), suggesting challenges in grant administration. A state audit could verify compliance and evaluate the city's capacity to manage grants effectively.

2. **Property Tax Revenue Shortfalls:** The General Fund's property tax revenues underperformed by \$171,580 compared to budget, with \$1,513,584 in receivables (net), including delinquent taxes from prior years (General Fund Budget, p. 17; Note 4, p. 35). This suggests inefficiencies in tax collection or economic challenges, which could strain future budgets. A state audit could examine collection processes and the adequacy of the allowance for uncollectible accounts.

3. **Internal Control Risks:** The reliance on a single employee for financial reporting, as noted in the Corrective Action Plan (p. 72), highlights a lack of redundancy and documented procedures. This increases the risk of errors or fraud, particularly in a small city with limited staff. While the audit found no significant deficiencies, the noncompliance issue implies control weaknesses. A state audit could recommend enhancements to mitigate risks from staff turnover.

4. **Historical Financial Management Issues:** Although prior findings ([2023-001](#): Excess Expenditures Over Appropriations; [2023-002](#): Lack of Internal Controls Over Safeguarding Assets) were resolved (p. 71), their recurrence with the current noncompliance suggests ongoing challenges. A state audit could ensure that corrective actions are sustainable and address root causes.

5. **Lack of Transparency for National Cornbread Festival Funds:** The National Cornbread Festival, a major annual event in South Pittsburg, is organized by the nonprofit National Cornbread Festival, Inc., with significant community involvement and support from Lodge Cast Iron. The 2024 audit report does not disclose specific revenues or expenditures related to the festival, despite its economic and cultural significance to the city. Reports indicate the festival has raised over \$1.4 million for community projects since 1997, yet the city's financial statements lack details on how these funds are received, managed, or spent, or whether public funds are involved (Smoky Mountain Living, March 24, 2024). As a resident, I am concerned about the absence of transparent reporting, which could obscure potential mismanagement or conflicts of interest. A state audit could clarify the city's financial relationship with the festival, including any grants, subsidies, or in-kind support, and ensure proper accounting.

These issues collectively raise questions about the city's fiscal responsibility and compliance with state regulations. A state audit would provide an independent assessment of South Pittsburg's financial practices, internal controls, and grant management, while addressing the specific concern about the National Cornbread Festival's financial transparency. I have attached relevant excerpts from the 2024 audit report, including Finding [2024-001](#), the Corrective Action Plan, and financial statements, to support this request.

Please consider this request for a special audit to protect the interests of South Pittsburg residents and ensure public funds are managed appropriately. I am available to provide additional information or documentation and can be reached at 954-790-1886 or sthrgntdh@live.com. Thank you for your attention to this matter, and I look forward to your response.

Sincerely,

Daniel Hinderliter

A handwritten signature in black ink, appearing to read "Daniel Hinderliter", with a stylized flourish at the end.

Resident of South Pittsburg, Tennessee

Attachments:

- City of South Pittsburg 2024 Annual Financial Report – specific concerns listed by subject and page number in letter. (Finding [2024-001](#), Corrective Action Plan, General Fund Budget, Statement of Net Position, Note 4)