

TOWN OF HENNING, TENNESSEE

AUDIT REPORT
June 30, 2021

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ROSTER OF PUBLIC ELECTED AND APPOINTED OFFICIALS

TOWN OF HENNING, TENN

ROSTER OF PUBLICLY ELECTED AND APPOINTED OFFICIALS

Barbara Manns	Acting Mayor
Sharon Green	Alderman
Jackie Alston	Alderman
Carstella Douglas	Alderman
Mark Massongill	Alderman
Quenton Reed	Alderman
Deborah Taylor	Alderman
Amanda Adkerson	Recorder
Gordon Jetter	CMFO*

*designated as having financial oversight responsibility to meet the requirements of *Tennessee Code Annotated*, Section 6-51-01 ef.ol.

INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Aldermen
Town of Henning, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henning, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henning, Tennessee, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, and solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

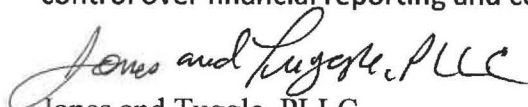
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Henning, Tennessee's basic financial statements. The Roster of Publicly Elected Officials and the Supplementary Information, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Financial Statements and Schedules contained in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information section is fairly stated in all material respects in relation to the financial statements as a whole.

The Roster of Publicly Elected Officials and the items listed as Other Supplementary Schedules in the Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022, on our consideration of the Town of Henning, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henning, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jones and Tuggle, PLLC".

Jones and Tuggle, PLLC
Memphis, TN
August 8, 2022

Management Discussion and Analysis

As management of the Town of Henning, Tennessee, we offer readers of the Town of Henning's financial statements, this narrative overview and analysis of the activities of the Town of Henning for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in this report.

Financial Highlights

The assets of the Town of Henning exceeded its liabilities at the close of the 2021 fiscal year by \$6,919,117 (net position). Of this amount, \$2,457,673 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's total net position increased by \$315,545.

As of the close of the current fiscal year, the Town of Henning's Governmental Funds reported combined ending fund balance balances of \$728,295, an increase of \$180,748 in comparison with the prior year. Approximately \$ of this amount is available for spending at the Town's discretion (Unassigned Fund Balance)

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Henning's basic financial statements. The Town of Henning's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary Information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The statement of net position presents Information on all of the Town of Henning's assets, deferred Inflows, deferred outflows, and liabilities, liabilities, with the difference between them reported as net position. Over time Increases and decreases may serve as a useful indicator of whether the financial position of the Town of Henning is Improving or deteriorating.

The statement of activities provides information showing how the government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes).

Management Discussion and Analysis (Continued)

Both of the government-wide financial statements distinguish functions of the Town of Henning that are principally supported by taxes and Intergovernmental revenues (governmental activities) from other functions that are Intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Henning Include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the Town of Henning Include a gas fund and a water and sewer fund.

Fund Financial Statements

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

Governmental Funds are used to account for essentially the same functions reported as governmental activities. In the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as wen as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town of Henning maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund and the solid waste fund, which are considered to be major funds. Data from the other two individual funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Henning adopts an annual appropriated budget for each of the four governmental funds.

Management Discussion and Analysis (Continued)

Proprietary Funds – The Town of Henning maintains two proprietary funds (enterprise funds); the gas fund, and the water and sewer fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the gas funds and the water and sewer fund, both of which are considered to be major funds of the Town of Henning.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Henning, assets exceeded liabilities by \$6,691,117 at the close for the fiscal year, June 30, 2021.

The largest portion of the net position is the investment in capital assets (land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The town of Henning uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Henning's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 focuses on the net position of the Town's governmental and business-type activities. Table 2 focuses on the changes in net position of the Town's governmental and business-type activities.

Total net position of the government increased by \$315,545. Total net position of the governmental activities increased by \$221,818 and the business-type activities increased by \$93,727.

*Management Discussion and Analysis (Continued)**Table I - Town of Henning, Tennessee's Changes in Net Position
June 30, 2021, and 2020*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Current/ Other Assets	\$ 917,188	\$ 1,111,455	\$ 2,221,437	\$ 1,813,648	\$ 3,138,625	\$ 2,925,104
Capital Assets	288,102	312,989	4,540,650	4,544,033	4,828,752	4,857,022
Total Assets	1,205,290	1,424,445	6,762,087	6,357,681	7,967,377	7,782,126
Deferred Outflows of Resources	-	-	-	-	-	-
Long-term Debt						
Outstanding	154,967	150,098	570,203	399,005	725,170	549,102
Other Liabilities	193,649	189,552	254,000	(72,935)	447,649	116,618
Total Liabilities	348,615	339,650	824,203	326,070	1,172,818	665,720
Deferred Inflows of Resources	193,106	197,289	-	-	193,106	197,289
Net Position						
Net Investment in Capital Asse	133,135	162,892	3,970,447	4,145,029	4,103,583	4,307,920
Restricted Assets	(33,925)	7,580	145,892	145,944	111,967	153,524
Unrestricted Assets	564,358	717,034	1,821,545	1,740,639	2,385,904	2,457,673
Total Net Position	\$ 663,569	\$ 887,506	\$ 5,937,885	\$ 6,031,611	\$ 6,601,453	\$ 6,919,117

The Town's total revenues decreased by \$96,229. Total cost of all services and programs decreased by \$100,511. The town's revenue decreased in the general fund due to a decrease in taxes and in water and sewer due to a decrease in grants funds received. Expenses decreased due to a decrease in expenses in public safety.

Management Discussion and Analysis (Continued)

*Table II - Town of Henning, Tennessee's Changes in Net Position
June 30, 2021, and 2020*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program Revenues:						
Charges for Services	119,027	121,466	575,885	597,283	694,912	718,749
Grants/Contributions	33,436	38,167	364,531	101,550	397,968	139,716
General Revenues						
Taxes	417,752	485,839			417,752	485,839
Other General Revenues	321	69,739	2,256	2,936	2,577	72,675
Total Revenues	<u>570,537</u>	<u>715,211</u>	<u>942,672</u>	<u>701,768</u>	<u>1,513,209</u>	<u>1,416,980</u>
Expenses:						
General Government	135,129	171,950			135,129	171,950
Public Safety	31,627	83,001			31,627	83,001
Highways/Streets	170,587	185,493			170,587	185,493
Culture/Recreation	61,723	52,949			61,723	52,949
Miscellaneous	-	-			-	-
Water/Sewer			432,855	437,198	432,855	437,198
Gas			169,003	170,844	169,003	170,844
Total Expenses	<u>399,066</u>	<u>493,393</u>	<u>601,858</u>	<u>608,042</u>	<u>1,000,924</u>	<u>1,101,435</u>
Increase(decrease) in Net Assets	<u>171,472</u>	<u>221,818</u>	<u>340,813</u>	<u>93,727</u>	<u>512,285</u>	<u>315,545</u>

Governmental Activities

Revenues for governmental activities decreased by \$87,003. There was an increase in the police department expenses but a decrease in in Solid Waste expenses.

Management Discussion and Analysis (Continued)

Business-Type Activities

Water and Sewer Fund:

Total net position increased during the current fiscal year by \$77,295 due to Grants received.

Total operating income increased by \$7,112.

Gas Fund:

Total net position increased by \$16,432

Total operating income increased by \$14,286.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Henning uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town of Henning's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Henning's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$728,295 or an increase of approximately \$180,748. Of this combined fund balance, \$689,123 is unassigned, which means that amount is available for future spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, or committed in the way it may be spent.

The general fund is the chief operating fund of the Town of Henning. At June 30, 2021, the unassigned fund balance is \$721,028.

Budgetary highlights, - Total general fund budgeted revenues exceeded total revenues by \$53,585. Total general fund budgeted expenses exceeded total general fund expenses by \$84,669.

Proprietary funds – The Town of Henning's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detailed.

Unrestricted net position in the water & sewer fund and gas fund at June 30, 2021 were \$1,281,432 and \$459,207, respectively.

*Management Discussion and Analysis (Continued)**Capital Assets and Debt Administration**Capital Assets*

Table 3 – Capital Assets at June 30, 2021
Capital assets at Year-End
Net of Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Land	\$ 20,000	\$ 20,000	\$ 85,616	\$ 85,616	\$ 105,616	\$ 105,616
Construction in Progress	-	-	1,611,286	1,618,966	1,611,286	1,618,966
Building/ System	268,102	292,990	2,843,748	2,839,450	3,111,850	3,132,440
Total	<u>\$ 288,102</u>	<u>\$ 312,990</u>	<u>\$ 4,540,650</u>	<u>\$ 4,544,033</u>	<u>\$ 4,828,752</u>	<u>\$ 4,857,022</u>

Capital assets (net of accumulated depreciation) used in governmental activities increased approximately \$24,888 and capital assets (net of accumulated depreciation) used in business-type activities increased by approximately \$3,383 in the current fiscal year compared to the previous fiscal year.

Long-Term Debt

Table 4 – General Obligation and Revenue Bond

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
General Obligation Bonds	\$ 154,966	\$ 150,098	\$ -	\$ -	\$ 154,966	\$ 150,098
Revenue Bonds	-	-	570,203	399,005	570,203	399,005
Civil Penalty	-	-	-	-	-	-
Capital Lease Payable	-	-	-	-	-	-
Total	<u>\$154,966</u>	<u>\$150,098</u>	<u>\$570,203</u>	<u>\$399,005</u>	<u>\$725,169</u>	<u>\$549,103</u>

Table 5 – Interfund Payables

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Interfund Payables	\$ 151,129	\$ 132,248	\$ -	\$ -	\$ 151,129	\$ 132,248
Total	<u>\$ 151,129</u>	<u>\$ 132,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,129</u>	<u>\$ 132,248</u>

At June 30, 2021, the Town of Henning had a total debt of \$681,351.

*Management Discussion and Analysis (Continued)**Economic Factors and Next Year's Budgets and Rates*

The Town's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates and fees that will be charged for the business-type activities. One of these factors is the economy. The Town has a high unemployment rate and does not expect its tax base to vary significantly from the current year.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customer, investors, and creditors with a general overview of the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor's office at Town of Henning, Main Street, and P.O. Box 488, Henning, Tennessee 38041.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
For the Year Ended JUNE 30, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash - Unrestricted	\$ 716,283	\$ 1,535,064	\$ 2,251,347
Certificates of Deposit - Unrestricted	-	71,582	71,582
Accounts Receivable - Customers	-	50,032	50,032
Accounts Receivable - Other	34,037	3,159	37,196
Grant Receivable	-	14,088	14,088
Note Receivable-State	9,354	-	9,354
Inventory - Diesel/Gas	1,657	-	1,657
Due From CDBG Waste Water	5,898	(5,898)	-
Due From Gas Fund	321	(321)	-
Due From Other Funds	-	-	-
Property Tax Receivable - Current/delinquent	213,290	-	213,290
Restricted Assets:			-
Cash - Restricted	130,964	31,073	162,037
Certificate of Deposits	-	114,871	114,871
Capital Assets (net of accumulated depreciation)			
Land	20,000	85,616	105,616
Building and Systems	292,989	4,458,416	4,751,405
Total Assets	<u>\$ 1,424,793</u>	<u>\$ 6,357,682</u>	<u>\$ 7,782,475</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts Payable and Other Accrued Liabilities	54,117	42,176	96,293
Due to Other Funds	-	-	-
Customers deposits	-	14,425	14,425
Internal Balances-Advances	132,248	(132,248)	-
Debet Due in One Year	5,180	11,440	16,620
Compensated Absences	3,187	2,712	5,899
Total Current Liabilities	<u>194,732</u>	<u>(61,495)</u>	<u>133,237</u>
Noncurrent Liabilities:			
Due in More Than One Year	<u>144,917</u>	<u>387,565</u>	<u>532,482</u>
Total Noncurrent Liabilities	<u>144,917</u>	<u>387,565</u>	<u>532,482</u>
Total Liabilities	<u>339,649</u>	<u>326,070</u>	<u>665,719</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	<u>197,289</u>	<u>-</u>	<u>197,289</u>
Total Deferred Inflows of Resources	<u>197,289</u>	<u>-</u>	<u>197,289</u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF NET POSITION (Continued)
 For the Year Ended JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<i>NET POSITION</i>			
Net Investment in Capital Assets	162,892	4,145,027	4,307,919
Restricted for:			
Heritage Museum	2,902	-	2,902
Inventory	1,657		1,657
Street Aid	31,089	-	31,089
Solid Waste	(31,940)		(31,940)
Drug Fund	3,878	-	3,878
Debt Services	-	145,944	145,944
Unrestricted	717,377	1,740,641	2,458,018
Total Net Position	<u>\$ 887,855</u>	<u>\$6,031,612</u>	<u>\$6,919,467</u>

See Independent Auditors' Report and Notes to the Financial Statements.

GENERAL GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/ Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$172,712	\$ 1,664	\$ 4,203	\$ -	\$ (166,845)	\$ -	\$ (166,845)
Public Safety	83,770	1,888	-	-	(81,882)	-	(81,882)
Highways and Streets	146,921	110,910	33,963	-	(2,048)	-	(2,048)
Parks and Recreation	31,431	2,000	-	-	(29,431)	-	(29,431)
Miscellaneous	-	73,830	-	-	73,830	-	73,830
Capital Outlay	-	-	-	-	-	-	-
Depreciation	58,558	-	-	-	(58,558)	-	(58,558)
Total Governmental Activities	493,392	190,292	38,166	-	(264,934)	-	(264,934)
Business-type Activities:							
Water and Sewer	237,262	410,901	-	101,550	-	275,189	275,189
Gas	160,045	186,383	-	-	-	26,338	26,338
Depreciation	210,733	-	-	-	-	(210,733)	(210,733)
Total Business-type Activities	608,040	597,284	-	101,550	-	90,794	90,794
Total Primary Government	<u>1,101,432</u>	<u>787,576</u>	<u>38,166</u>	<u>101,550</u>	(264,934)	90,794	(174,140)
General Revenues:							
Property Taxes					227,346	-	227,346
Sales Tax					184,105	-	184,105
Other Taxes					33,231	-	33,231
Payments in Lieu of Tax					41,155	-	41,155
Unrestricted Investment Earnings					1,264	2,936	4,200
Total General Revenues					<u>487,101</u>	<u>2,936</u>	<u>490,037</u>
Change in Net Assets					222,167	93,730	315,897
Net Assets - Beginning without donor restrictions					658,332	5,937,882	6,596,214
Prior Period Adjustment - Note 11					7,356	-	7,356
Net Assets - Ending					<u>\$ 887,855</u>	<u>\$ 6,031,612</u>	<u>\$ 6,919,467</u>

See Independent Auditors' Report and Notes to the Financial Statements.

BALANCE SHEET- GOVERNMENTAL FUNDS*For the Year Ended June 30, 2021*

	General	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash - Unrestricted	\$716,283	\$ -	\$ -	\$716,283
Cash - Restricted	2,902	91,330	36,732	130,964
Accounts Receivable				
Property Tax Receivable - Current	203,922	-	-	203,922
Property Tax Receivable - Prior	9,368	-	-	9,368
Uncollectible Receivable	-	-	-	-
Due from Sanitation	884			884
Due to Water	5,695	347	-	6,042
Due from SSA	3,087			3,087.00
Due to Gas	321	-	-	321
Due from General Fund	-	2,537	-	2,537
State	9,354	-	5,943	15,297
Other	16,438	11,312	-	27,750
Inventory Gas/Diesel	1,657	-	-	1,657
Total Assets	<u>\$969,911</u>	<u>\$105,526</u>	<u>\$42,675</u>	<u>\$1,118,112</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	16,419	4,118	4,621	25,158
Advance from Water and Sewer	-	132,248	-	132,248
Advance from Gas	-	-	-	-
Due to State Street Aid	-	-	-	-
Due to Sanitation	2,537			2,537
Due to Water and Sewer	144	884		1,028
Due to General Fund	-	-	3,087	3,087
Other Payables and accrued expenses	28,779	180	-	28,959
Total Liabilities	47,879	137,430	7,708	193,017
Deferred Inflows:				
Deferred Property Tax-Current	196,446	-	-	196,446
Total Deferred Inflows	<u>196,446</u>	<u>-</u>	<u>-</u>	<u>196,446</u>
Fund Balances:				
Nonspendable Fund Balance:				
Inventory	1,657	-	-	1,657
Restricted Fund Balance:				
Street Aid	-	-	31,089	31,089
Highways and Streets	-	-	-	-
Law Enforcement	-	-	3,878	3,878
Solid Waste		(31,904)		(31,904)
Heritage Museum	2,902	-	-	2,902
Unassigned:	<u>721,027</u>	<u>-</u>	<u>-</u>	<u>721,027</u>
Total Fund Balances	<u>725,586</u>	<u>(31,904)</u>	<u>34,967</u>	<u>728,649</u>
Total Liabilities and Fund Balances	<u>\$ 969,911</u>	<u>\$ 105,526</u>	<u>\$ 42,675</u>	<u>\$ 1,118,112</u>

See Independent Auditors' Report and Notes to the Financial Statements.

*RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
For the Year Ended June 30, 2021*

Total Fund Balance - Governmental Funds \$ 728,649

Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:

Land	20,000	
Building and improvements	761,597	
Equipment	956,077	
Accumulated depreciation	<u>(1,424,685)</u>	312,989

Certain revenues will be collected after year-end but are not
available soon enough to pay for current period expenditures
and therefore are deferred in the fund (499)

Accrued Vacation (3,187)

Long-term liabilities including bonds payable, are not due in
current period and therefore are not reported in the funds (150,097)

Net Position of Governmental Activities	<u><u>\$ 887,855</u></u>
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Tax	\$ 194,930	\$ -	\$ -	\$ 194,930
Prior Year Property Tax	22,284	-	-	22,284
Public Utility	-	-	-	-
Payment in lieu of Tax - Ripley P & L	2,686	-	-	2,686
Payment in lieu of - TVA	10,802	-	-	10,802
Pilot - Gas	24,460	-	-	24,460
Pilot - Water	3,207	-	-	3,207
Local Sales Tax	85,453	-	-	85,453
Wholesale Beer Tax	22,506	-	-	22,506
Business Tax	2,600	-	-	2,600
Business Licenses	-	-	-	-
Cable Franchise Fee	3,001	-	-	3,001
Beer Applications	785	-	-	785
Building Permits	879	-	-	879
State Sales Tax	98,652	-	-	98,652
State Income Tax	123	-	-	123
State Beer Tax	447	-	-	447
Petroleum Special Tax	1,876	-	-	1,876
Excise Tax	987	-	-	987
Telecommunications	1,691	-	-	1,691
Sportbet	349	-	-	349
Charges for Services	-	110,910	-	110,910
Sale of Equipment	-	172	-	172
Fines	1,888	-	-	1,888
Fire Department Collections	5,005	-	-	5,005
Interest Earnings	1,077	146	41	1,264
Donations - Palmer Turner Center	2,000	-	-	2,000
Rent - Palmer Turner Center	-	-	-	-
Insurance Recoveries	-	-	-	-
Grant	4,203	-	-	4,203
Fees	-	-	-	-
Gas 3 Cent	-	-	5,038	5,038
Gasoline and Motor Tax	-	-	17,436	17,436
Gas 1989	-	-	2,719	2,719
State Gas Improvement	-	-	8,770	8,770
Miscellaneous	17,155	51,149	-	68,304
Total Revenues	509,046	162,377	34,004	705,427

See Independent Auditors' Report and Notes to the Financial Statements.

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2021*

	<u>General</u>	<u>Solid Waste Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>EXPENDITURES</i>				
Current:				
Administration	172,002	-	-	172,002
Police	70,013	-	-	70,013
Fire	17,728	-	-	17,728
Street	88,260	128,010	30,145	246,415
Parks and Recreation	31,468	-	-	31,468
Total Expenditures	<u>379,471</u>	<u>128,010</u>	<u>30,145</u>	<u>537,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,575</u>	<u>34,367</u>	<u>3,859</u>	<u>167,801</u>
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	129,575	34,367	3,859	167,801
Fund Balance - Beginning	575,360	(66,271)	31,102	540,191
Prior Period Adjustment	7,356	-	-	7,356
Fund Balance - Ending	<u>\$ 712,291</u>	<u>\$ (31,904)</u>	<u>\$ 34,961</u>	<u>\$ 715,348</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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

For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are
different because:

Net change in fund balances - total governmental funds	\$ 167,801
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Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciated expense.

Acquisition of Capital Assets	83,446
Depreciation Expense	(58,558)

Some revenues do not provide correct financial resources and are reported as deferred inflows of resources in the governmental funds.	10,133
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The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial resources of
governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental
funds report the effect of issuance costs, premiums, discounts, and similar items when debt is
first issued, whereas these amounts are deferred and amortized in the statement of activities. This
amount is the net effect of these differences in the treatment of long-term and related items.

Bonds Payable	4,868
Compensated Absences	<u>1,182</u>

Change in Net Position of Governmental Activities	<u><u>\$ 208,872</u></u>
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**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND
ACTUAL – GENERAL FUND
For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property Tax	\$160,000	\$170,000	\$194,930	\$ 24,930
Prior Year Property Tax	16,000	26,000	22,284	(3,716)
Public Utility Tax	17,000	17,000	-	(17,000)
Property Tax Penalty and Interest	2,500	-	-	-
Payment in lieu of tax - Ripley P & L	5,500	5,500	2,686	(2,814)
Payment in lieu of - TVA	10,000	11,500	10,802	(698)
PILOT - Gas	26,600	26,600	24,460	(2,140)
PILOT - Water and Sewer	3,200	3,200	3,207	7
Local Sales Tax	69,652	73,000	85,453	12,453
Wholesale Beer Tax	23,000	21,000	22,506	1,506
Business Tax	500	2,300	2,600	300
Business Licenses	100	40	-	(40)
Cable Franchise Fee	3,000	3,800	3,001	(799)
Beer Applications	800	350	785	435
Building Permits	1,200	700	879	179
State Sales Tax	87,000	84,000	98,652	14,652
State Income Tax	750	150	123	(27)
State Beer Tax	400	443	447	4
Petroleum Special Tax	2,000	1,876	1,876	-
Excise Tax	-	-	987	987.00
Sales Partnership 2010	-	-	-	-
Telecommunications	1,000	1,370	1,691	321
Sportbet	-	-	349	349
Fines	150	2,000	1,888	(112)
Police Salary Supplement	-	-	-	-
Grant	-	-	4,203	4,203
Fire Department Collection	-	-	5,005	5,005
Interest Earnings	200	283	1,077	794
Sale of Equipment	500	-	-	-
Donations - Palmer Turner	2,500	1,500	2,000	500
Rent - Palmer Turner Center	1,500	1,000	-	(1,000)
Sale of Property	-	-	-	-
Insurance Recoveries	-	-	-	-
CDBG Grant	500,000	-	-	-
Fees	100	-	-	-
Miscellaneous	5,000	1,500	17,155	15,655
Total Revenues	<u>\$940,152</u>	<u>\$455,112</u>	<u>\$509,046</u>	<u>\$ 53,934</u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Continued)
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Administration:				
Mayor and Aldermen Salaries	19,800	19,800	19,800	-
City Attorney	3,600	5,000	6,405	(1,405)
Salaries	28,900	35,000	34,883	117
Planning Committee	-	500	-	500
Committee Pay	1,000	-	-	-
Payroll Taxes	3,750	4,500	6,691	(2,191)
Workman's Comp	150	-	-	-
Unemployment Insurance	400	602	1,157	(555)
State Litigation Tax	500	500	90	410
Taxes	3,300	4,000	-	4,000
Postage	900	800	640	160
911 Dispatch	10,000	10,000	10,000	-
Public Notice	900	2,000	1,824	176
Membership Dues	1,500	21,000	19,496	1,504
Utilities	9,000	9,000	6,830	2,170
Security	666	400	341	59
Internet	1,500	1,000	948	52
Telephone	3,800	21,000	20,451	549
Professional Fees	-	2,000	1,845	155
CMFO	19,845	21,174	21,195	(21)
Annual Audit	4,095	5,100	5,100	-
Travel	2,000	2,500	2,082	418
Employee Medical Expense	350	350	-	350
Education	500	1,200	-	1,200
Miscellaneous	300	-	-	-
Copier Lease	950	680	547	133
Supplies	4,784	3,000	1,765	1,235
Bank Charges	2,300	2,000	1,828	172
City Hall Repairs	8,000	8,000	860	7,140
City Beautification	400	-	-	-
Insurance	11,500	11,900	3,546	8,354
Computer Maintenance	2,500	3,000	2,477	523
Mayor - Gas & Oil	400	-	-	-
Gas Interest	73	-	-	-
Water/ Sewer Interest	57	-	-	-
State Street Aid Interest	3	-	-	-
Building Inspector Salary	1,200	1,200	1,200	-
Capital Outlay	-	-	-	-
Total Administration Expenditures	<u>148,923</u>	<u>197,206</u>	<u>172,001</u>	<u>25,205</u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE *IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Continued)*
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
POLICE DEPARTMENT				
Salaries	-	31,000	30,482	518
Animal Control Supplies	50	-	-	-
Payroll Taxes	-	2,372	2,169	203
Police Bank Charges	200	-	-	-
Advertising	50	100	56	44
Utilities	-	960	156	804
Telephone	-	-	321	(321)
Security	-	-	-	-
Travel	-	2,500	2,869	(369)
Supplies	-	1,500	3,329	(1,829)
In Service Training	-	-	-	-
Employee Medical Expense	-	1,200	1,110	90
Repairs & Maintenance - Vehicles	-	8,000	8,993	(993)
Repairs & Maintenance	-	-	-	-
Uniforms	-	3,000	2,258	742
Rent	900	900	900	-
Towing	-	-	125	(125)
Insurance	1,875	2,000	1,920	80
Gas/ Oil	-	1,200	77	1,123
Capital Outlay	-	15,000	15,246	(246)
Total Police Department Expenditures	3,075	69,732	70,011	(279)
FIRE DEPARTMENT				
Salaries	6,000	6,000	5,103	897
Payroll Taxes	459	459	390	69
Membership/ Dues	100	100	-	100
Utilities	6,000	4,000	3,689	311
Security	500	400	341	59
Internet	200	-	-	-
Telephone	300	4,000	3,428	572
Travel and Training	500	500	203	297
Supplies	500	1,200	-	1,200
Repair/ Maintenance	2,500	2,500	821	1,679
Gas/ Oil	1,350	500	1,115	(615)
Insurance	6,900	6,900	2,638	4,262
Capital Outlay	-	-	-	-
Total Fire Department	25,309	26,559	17,728	8,831

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Continued)
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STREET DEPARTMENT				
Salaries	38,430	40,000	38,990	1,010
Payroll Taxes	2,950	3,060	2,974	86
Public Notice	-	-	95	(95)
Utilities	8,200	9,000	8,765	235
Telephone	500	-	-	-
Supplies	3,000	4,500	3,159	1,341
Uniforms	300	-	-	-
Repair/ Maintenance	5,000	2,000	2,776	(776)
Repair/ Maintenance - Vehicles	1,000	1,100	358	742
Gas/Oil/ Diesel	5,500	6,000	4,052	1,948
Insurance	1,200	1,000	594	406
Capital Outlay	-	-	13,200	(13,200)
Total Street Department	<u>66,080</u>	<u>66,660</u>	<u>74,963</u>	<u>(8,303)</u>
PARK AND RECREATION				
P/p Salaries	-	-	-	-
Payroll Taxes	-	-	-	-
Advertising	-	-	37	(37)
Professional Fees	-	50	-	50
Utilities	10,000	10,800	10,657	143
Security	500	400	341	59
Internet	-	100	-	100
Telephone	-	4,000	2,612	1,388
Supplies	800	2,000	-	2,000
Repairs/ Maintenance	2,000	2,500	2,081	419
Insurance	5,200	5,700	4,189	1,511
Loan Payment	4,653	4,619	4,869	(250)
Interest	6,899	6,933	6,682	251
CDBG Home Grant	500,000	-	-	-
Total Park and Recreation Expenditures	<u>530,052</u>	<u>37,102</u>	<u>31,468</u>	<u>5,634</u>
Total Expenditures	<u>773,439</u>	<u>397,259</u>	<u>366,171</u>	<u>31,088</u>
Excess of Revenues over Expenditures	<u>166,713</u>	<u>57,853</u>	<u>142,875</u>	<u>85,022</u>
Other Financing Sources (Uses)				
Transfer to Other Governments	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>166,713</u>	<u>57,853</u>	142,875	<u>85,022</u>
Fund Balance - Beginning			575,358	
Prior Period Adjustment			7,356	
Fund Balance - Ending			<u>\$ 725,589</u>	

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL- SOLID WASTE
For the Year Ended June 30, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for Services:				
Sanitation Collection	\$ 117,000	\$ 113,000	\$110,910	\$ (2,090)
Sanitation Penalties	-	-	-	-
Other:				
Interest	28	28	146	118
Sale of Equipment	-	-	172	172
Grant	-	51,150	51,149	(1)
Total Revenues	<u>117,028</u>	<u>164,178</u>	<u>162,377</u>	<u>(1,972)</u>
Expenditures				
Public Works:				
Salaries	25,000	28,000	25,442	2,558
Payroll Taxes	2,000	2,150	2,134	16
State Unemployment	550	200	305	(105)
Bank Charges	60	60	-	60
Postage	500	650	609	41
Supplies	700	700	105	595
Repairs and Maintenance	2,500	2,500	18	2,482
Gas and Oil	2,000	5,000	3,585	1,415
CMFO	3,500	3,500	3,500	-
Annual Audit	840	1,000	971	29
Copier Lease	600	600	547	53
Employee Medical Expense	-	50	50	-
Insurance	3,900	3,900	1,511	2,389
Landfill	28,500	28,500	33,140	(4,640)
Solid Waste Expense	-	-	-	-
Interest	72	72	71	1
Computer	2,000	2,000	1,021	979
Capital Outlay	-	55,000	55,000	-
Total Expenditures	<u>72,722</u>	<u>133,882</u>	<u>128,009</u>	<u>5,873</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>44,306</u>	<u>30,296</u>	<u>34,368</u>	<u>3,901</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfer Out	<u>18,881</u>	<u>18,880</u>	<u>-</u>	<u>18,880</u>
Total Other Financing Sources (Uses)	<u>18,881</u>	<u>18,880</u>	<u>-</u>	<u>18,880</u>
Net Change in Fund Balance	<u>\$ 25,425</u>	<u>\$ 11,416</u>	<u>34,368</u>	<u>(14,979)</u>
Fund Balance - Beginning			<u>(66,271)</u>	
Fund Balance - Ending			<u>\$ (31,903)</u>	

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF NET POSITION-PROPRIETARY FUND
For the Year Ended June 30, 2021

	Water and Sewer Fund	Gas Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 773,691	\$459,313	\$ 1,233,004
Cash in Bank - Customer Deposits	30,857	-	30,857
Cash in Bank - Laufayton	216	-	216
Cash in Bank - Bank Card Utilities	302,060	-	302,060
Certificate of Deposits - Unrestricted	71,582	-	71,582
Certificate of Deposits - Restricted	69,306	45,565	114,871
Accounts Receivable - Customers	43,921	6,111	50,032
Due From Other Funds	2,518	4,332	6,850
Advance to Solid Waste	135,407	-	135,407
Advance to General Fund	-	-	-
Grant Receivable	14,088	-	14,088
Total Current Assets	\$ 1,443,646	\$ 515,321	\$ 1,958,967
NONCURRENT ASSETS			
Land	85,616	-	85,616
Buildings	63,453	69,863	133,316
Plant and Equipment	6,330,759	344,002	6,674,761
Construction in Progress	1,618,946	-	1,618,946
Less: Accumulated Depreciation	(3,600,386)	(368,221)	(3,968,607)
Total Noncurrent Net Assets	4,498,388	45,644	4,544,032
Total Assets	5,942,034	560,965	6,502,999
LIABILITIES			
Current Liabilities:			
Accounts Payable	32,025	5,904	37,929
Bonds & Notes Payable - Current	11,440	-	11,440
Other Current Payables	2,224	288	2,512
Customer Deposits	14,425	-	14,425
Accrued Wages	1,050	1,662	2,712
Due to Other Funds	10,374	2,695	13,069
Due to Laufayton Energy Assistance	1,734	-	1,734
Total Current Liabilities	73,272	10,549	83,821
Noncurrent Liabilities:			
Bonds Payable	387,565	-	387,565
Total Noncurrent Liabilities	387,565	-	387,565
Total Liabilities	460,837	10,549	471,386

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF NET POSITION-PROPRIETARY FUND
For the Year Ended June 30, 2021
(Continued)

	Water and Sewer Fund	Gas Fund	Total
<i>NET POSITION</i>			
Net Investment in Capital Assets	4,099,383	45,644	4,145,027
Restricted and/or Pledged as Collateral	100,379	45,565	145,944
Unrestricted	1,281,435	459,207	1,740,642
Total Net Position	5,481,197	550,416	6,031,613

See Independent Auditors' Report and Notes to the Financial Statements.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-
PROPRIETARY FUND**

For the Year Ended June 30, 2021

	Water and Sewer Fund	Gas Fund	Total
<i>Operating Revenues:</i>			
Charges	\$ 396,415	\$ 184,673	\$ 581,088
Penalties	6,044	-	6,044
Tap Fees	950	-	950
Service Fees	3,629	1,710	5,339
Miscellaneous Charges	3,863	-	3,863
Total Operating Revenues	410,901	186,383	597,284
<i>Operating Expenses:</i>			
Gas Purchase	-	54,947	54,947
Gas Consultant	-	10,785	10,785
Depreciation	199,936	10,797	210,733
PILOT	3,207	24,460	27,667
Salaries	45,256	34,518	79,774
Utilities	17,747	3,331	21,078
Security	682	-	682
Telephone	749	-	749
Internet	827	-	827
Postage	1,123	609	1,732
Dues	1,038	119	1,157
Publications	824	-	824
Other Fees	-	-	-
Leak Survey	-	1,588	1,588
Travel and Training	-	-	-
Employee Medical Expense	394	-	394
Repairs and Maintenance	52,736	1,515	54,251
Repairs and Maintenance - Vehicles	2,500	-	2,500
Supplies	6,121	2,461	8,582
Chemicals	7,540	-	7,540
Water Testing Fees	19,500	-	19,500
Equipment Rental	182	86	268
Rental of Office Equipment	2,458	-	2,458
Water - Copier	547	547	1,094
Uniforms	-	-	-
Gas, Oil, Diesel	-	1,496	1,496
Payroll Taxes	3,691	2,601	6,292
Unemployment Insurance	429	241	670

See Independent Auditors' Report and Notes to the Financial Statements.

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-
 PROPRIETARY FUND (Continued)
 For the Year Ended June 30, 2021*

	Water and Sewer Fund	Gas Fund	Total
Insurance	\$13,588	\$2,249	\$15,837
Inspection fees	-	-	-
Professional Fees	7,727	8,084	15,811
CMFO Accounting	8,250	6,655	14,905
Annual Audit	9,961	1,943	11,904
Bank Charges	4,369	120	4,489
Computer Expense	3,079	1,690	4,769
Total Operating Expenses	414,461	170,842	585,303
Operating Income (loss)	(3,560)	15,541	11,981
<i>Nonoperating Revenues (Expenses):</i>			
Interest Income	2,043	893	2,936
Interest Expense	(22,737)	-	(22,737)
Total Nonoperating Revenues	(20,694)	893	(19,801)
Net Income (Loss) Before Contributions and Transf	(24,254)	16,434	(7,820)
Capital Contributions	101,550	-	101,550
Change in Net Position	77,296	16,434	93,730
Total Net Position - Beginning	5,403,901	533,982	5,937,883
Prior Period Adjustment	-	-	-
Total Net Position - Ending	\$5,481,197	\$550,416	\$6,031,613

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended June 30, 2021

	Water & Sewer Fund	Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$602,966	\$193,248	\$796,214
Payments to Suppliers	(513,731)	(120,995)	(634,726)
Payments to Employees	(48,947)	(36,714)	(85,661)
Net Cash Provided (Used) by Operating Activities	<u>40,288</u>	<u>35,539</u>	<u>75,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers From Other Funds	(1,160)	(2,291)	(3,451)
Transfers to Other Funds	102	1,260	1,362
Loan Transfer to Solid Waste	-	-	-
Principal Payments From Other Funds	<u>18,880</u>	<u>-</u>	<u>18,880</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>17,822</u>	<u>(1,031)</u>	<u>16,791</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Expense	(22,737)	-	(22,737)
Grant (as adjusted))	101,550	-	101,550
Principal Payment - bonds & notes	(171,198)	-	(171,198)
Equipment Purchases/ Construction	<u>(202,181)</u>	<u>(11,935)</u>	<u>(214,116)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(294,566)</u>	<u>(11,935)</u>	<u>(306,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>2,041</u>	<u>893</u>	<u>2,934</u>
Net Cash Provided (Used) by Investing Activities	<u>2,041</u>	<u>893</u>	<u>2,934</u>
Net Increase in Cash and Cash Equivalents	(234,415)	23,466	(210,949)
Cash and Cash Equivalents - Beginning of Year	<u>1,482,124</u>	<u>481,410</u>	<u>1,963,534</u>
Cash and Cash Equivalents - End of Year	<u><u>\$1,247,709</u></u>	<u><u>\$504,876</u></u>	<u><u>\$1,752,585</u></u>

See Independent Auditors' Report and Notes to the Financial Statements.

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended June 30, 2021

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONG ACTIVITIES	Water & Sewer Fund	Gas Fund	Total
Operating Income	\$ (3,560)	\$ 15,539	\$ 11,979
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	199,936	10,797	210,733
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	192,067	6,865	198,932
Increase (Decrease) in Account Payable	(347,697)	1,933	(345,764)
Increase (Decrease) in Customers deposits	(206)	406	200
Increase (Decrease in Accrued Wages	(250)	-	(250)
Net Cash Provided (Used) by Operating Income	<u>\$ 40,290</u>	<u>\$ 35,540</u>	<u>\$ 75,830</u>

See Independent Auditors' Report and Notes to the Financial Statements.

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2021**REPORTING ENTITY**Introduction*

The Town of Henning was first chartered in 1901 and operates under a Mayor and Board of Aldermen system of government. The Town does not exercise oversight responsibility over any other entities that should be incorporated into these statements.

*Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting/Measurement Focus*

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue, and expenditures or expensed, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column. The Town has no Fiduciary activities.

These statements are presented on a "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenue for the Tow are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the government activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2021**(Continued)**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**A. Government-Wide Financial Statements (Continued)*

the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

B. Government Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Town has presented all major funds that met those qualifications.

All government funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. (The Town’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to the finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenue subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major government funds:

The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The solid waste fund accounts for the Town’s trash collection and deposits.

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2021**(Continued)**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**C. Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operation expenses.

When both restricted and unrestricted funds are available for use, it is the Town’s policy to use restricted resources first and then unrestricted resources as necessary.

The government reports the following major proprietary funds:

The water and sewer funds operate the water and sewage distribution system. The gas fund operates the gas distribution system.

*D. Assets, Liability, and Net Assets or Equity**Deposits and Investments*

The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****D. Assets, Liability, and Net Assets or Equity***Deposits and Investments (Continued)*

State statutes authorized the Town to invest in certificate of deposit, obligations of the U. S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, and the Tennessee local government investment pool.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. non-current portion of interfund loans). Receivables and payables classified as “due from related organizations” and “due to related organizations” are made up of transactions between individual funds of the Town of Henning.

Trade receivables listed on the utilities’ balance sheet result from unpaid billing for services to customers, approximately one month’s billing.

Property taxes are levied annually on January 1. Taxes are due and payable from the following October 1 through February 28th in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 15 and unpaid taxes for the prior year’s levy. Taxes uncollected for one year past due are submitted to the Chancery Court for collections. Tax liens become perfected at the time the court enters judgement.

A receivable for the annual tax levy is recorded on October 1 each year. The portion of the tax levy deemed to be available to finance current period expenditures is recorded as current period revenues with the balance recorded as deferred revenues.

Inventories

Government fund inventories of gasoline and diesel and stated at cost, using the first-in/first-out method (FIFO).

Restricted Assets

Three certificated of deposit in the Gas Fund are reported as restricted assets, on the balance sheet because their use is limited as they are pledged for a line of credit.

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2021**(Continued)**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items). Are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined in the governmental funds as assets with an initial, individual cost or more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The proprietary funds define capital assets, which include property, plant, equipment, and construction in progress, as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation. The Town of Henning elected not to report major general infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the following straight-line method over the following estimated useful life:

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
General Plant	5-40 years	Treatment Plant	10-15 years
Distribution Plant	10-50 years	Buildings	50 years
Building Improvements	20 years	Vehicles	5 years
Office Equipment	5 years	System Infrastructure	30 years

Compensated Absences

The compensated absence policy as passed by the board in December 2005 is summarized as following:

- There is no comp time

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2021**(Continued)**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

- Vacation Policy – All employees accrue vacation leave monthly upon the completion of each calendar month of service. Vacation begins to accrue as the first full month of employment, but cannot be taken until the employee has completed six months of employment. Employees can accumulate up to 40 hours for 1 to 3 years of service, 80 hours for 4 to 10 years of service, 120 hours for 11 to 16 years of service and 160 hours for 17 or more.
- Sick leave - hours per month for full-time employees.

Long-term Obligations

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

Net Position/Fund Equity

In the proprietary funds, equity is classified as net position and displayed in the following three components:

- Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets, debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for debt services – consists of net assets for which constraints are placed thereon by external parties such as lenders, grantors, contributor, laws, regulations and enabling legislation including self-imposed legal mandates less any related liabilities.
- Unrestricted – All other net assets that do not meet the description of the above categories.

In the fund financial statements, the government has not implemented policies and procedures for the governmental fund balance using committed and assigned fund balances.

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and special revenue funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the Town board. The legal level of budgetary control (i.e., the level at which expenditure may not legally exceed appropriations) is the department level. As an extension of the budgetary process, the Board may transfer or appropriate additional funds for expenditures not anticipated at the time of the budget adoption. The Board amended the budget at the end of the fiscal year.

NOTE 3 – DETAILED NOTES ON ALL FUNDS**A. Deposit and Investment**

Custodial Credit Risk - The Town has cash and certificated of deposits exceeding \$ 250,000 with a local bank that participates in a collateral pool. At year-end, the Town's carrying amount of deposits was \$2,599,837. Of the balance, \$250,000 was insured by FDIC and the remainder was covered by the Tennessee State Collateral Pool. State statutes authorize the Town to invest in certificates of deposits, obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the U.S or any of its agencies, repurchase agreements, and the Tennessee Local Government Investment Pool.

Cash Flows – "Cash and Cash Equivalents" on the Statement of Cash Flows is comprised of cash and certificate of deposit with a maturity date no greater than three months.

Cash and temporary cash investments consist of the following:

	Cash	CDs (less than 3 months maturity)
General Fund	\$ 719,185	\$ -
Solid Waste	91,330	-
Special Revenue Fund	36,726	-
Gas Fund	459,313	45,565
Water and Sewer Fund	1,106,824	140,888
	<u>\$ 2,413,378</u>	<u>\$ 186,453</u>

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 3 – DETAILED NOTES ON ALL FUNDS – continued****RECEIVABLES**

Taxes receivables include the uncollected property taxes from tax levies made during the current and previous years, as well as the anticipated levy for the current calendar year.

	Governmental Activities Funds			Total
	General	Other Governmental	Business-Type Activities	
Primary Government				
Receivables:				
Taxes	\$ 213,290	\$ -	\$ -	\$ 213,290
Accounts	-	17,256	53,191	70,447
Intergovernmental	9,354	-	-	9,354
Grant	-	-	14,088	14,088
Notes	-	-	132,248	132,248
Total Receivables	<u>\$ 222,644</u>	<u>\$ 17,256</u>	<u>\$ 199,527</u>	<u>\$ 439,427</u>

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Town has one item that qualify for reporting in this category deferred inflows related to unearned property taxes.

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 3 – DETAILED NOTES ON ALL FUNDS – continued****BONDS AND NOTES PAYABLE**

USDA Loan # 97-06. The Town issued bonds through the Rural Development Corporation with a principal amount of \$114,100. The interest rate is 4.25%. The bonds are being repaid by the General Fund with annual payments of \$6,106, including principle and interest, and will mature in 2042.

Principle and interest payment for the years following June 30, 2021 are as follows:

	<u>Principle</u>	<u>Interest</u>
2022	2,963	3,144
2023	3,091	3,016
2024	3,225	2,882
2025	3,366	2,742
2026 - 2030	19,142	11,393
2031 - 2035	23,665	6,870
2036 - 2040	19,880	1,555
	<u>\$ 75,332</u>	<u>\$ 31,602</u>

Rural Development Corporation, #97-08, with annual payments of \$5,445., through 2043 at an interest rate of 4.375% .

Principle and interest payment for the years following June 30, 2021 are as follows:

	<u>Principle</u>	<u>Interest</u>
2022	2,217	3,227
2023	2,316	3,128
2024	2,420	3,025
2025	2,528	2,916
2026 - 2030	14,434	12,786
2031 - 2035	17,956	9,264
2036 - 2040	22,338	4,882
2041 - 2045	10,557	495
	<u>\$ 74,766</u>	<u>\$ 39,723</u>

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 3 – DETAILED NOTES ON ALL FUNDS – continued****BONDS AND NOTES PAYABLE****Governmental Funds - Change in Long-Term Debt**

	Debt Outstanding 7/1/2020	Increases	Decreases	Debt Outstanding 6/30/2021
97-06 USDA Loan	\$ 78,118	\$ -	\$ (2,786)	\$ 75,332
97-08 USDA Loan	76,850	-	(2,084)	74,766
Total	<u>\$ 154,968</u>	<u>\$ -</u>	<u>\$ (4,870)</u>	<u>\$ 150,098</u>

Proprietary Fund long-term debt at June 30, 2021 is comprised of the following:
Bonds:

The 2004 Water Revenue and Tax Bond, 91-04. The Town issued bonds through the Rural Development Corporation with a principal amount of \$530,000. The interest rate is 4.25%. The bonds are being repaid by the Water & Sewer Fund with monthly payments of \$2,345, including principal and interest, and will mature in 2043.

Principle and interest payment for the years following June 30, 2021 are as follows:

	Principal	Interest
2022	11,440	16,737
2023	11,935	16,241
2024	12,453	15,724
2025	12,992	15,183
2026 - 2030	73,911	66,970
2031 - 2035	91,376	49,504
2036 - 2040	112,969	27,912
2041 - 2045	71,929	4,344
	<u>\$ 399,005</u>	<u>\$ 212,615</u>

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021***NOTE 3 – DETAILED NOTES ON ALL FUNDS – continued****BONDS AND NOTES PAYABLE (Continued)****Proprietary Funds - Change in Long-Term Debt**

	Debt Outstanding 7/1/2019	Increases	Decreases	Debt Outstanding 6/30/2020
91-02 USDA Loan	\$ 72,028	\$ -	\$ (72,028)	\$ -
91-04 USDA Loan	409,968		(10,963)	399,005
91-10 USDA Loan	88,207		(88,207)	-
Total	<u>\$ 570,203</u>	<u>\$ -</u>	<u>\$ (171,198)</u>	<u>\$ 399,005</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

Governmental Activities:	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total Capital Assets not being depreciated	20,000	-	-	20,000
Capital assets, being depreciated:				
Buildings	761,597	-	-	761,597
Equipment	872,632	83,446	-	956,078
Total Capital Assets being depreciated	1,634,229	83,446.00	-	1,717,675
Total Accumulated Depreciation	(1,366,127)	(58,558)	-	(1,424,685)
Total Capital Assets, being depreciated, net	268,102	24,888	-	292,990
Governmental Activities Capital Assets, Net	<u>\$ 288,102</u>	<u>\$24,888</u>	<u>\$ -</u>	<u>\$ 312,990</u>

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 4 – CAPITAL ASSETS (Continued)**

Business-type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 85,616	-	-	\$ 85,616
Construction in Progress	1,611,286	7,680	-	1,618,966
Total Capital Assets Not Being Depreciated	1,696,902	7,680	-	1,704,582
Capital Assets, Being Depreciated				
Plant/ Equipment	6,468,305	206,435	-	6,674,740
Buildings	133,316	-	-	133,316
Total Capital Assets Being Depreciated	6,601,621	206,435	-	6,808,056
Less Accumulated Depreciation:	(3,757,873)	(210,733)	-	(3,968,606)
Total Capital Assets, Being Depreciated, Net	2,843,748	(4,298)	-	2,839,450
Business-type Activities Capital Assets, Net	<u>\$ 4,540,650</u>	<u>\$ 3,382</u>	<u>\$ -</u>	<u>\$ 4,544,032</u>

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

<u>Due From:</u>	<u>Due To:</u>	<u>Amount</u>
SSA	General Fund	3,087 =
Water and Sewer	Solid Waste	347 -
General Fund	Solid Waste	2,537 %
Water and Sewer	Gas	4,332 **
Gas	General Fund	321 #
General	Water	144 @
Water and Sewer	General Fund	5,695 !
Solid Waste	General Fund	884 !!
Gas	Water	2,374 !!!

= SSA owes General Fund for interfund loan that was overpaid.

- Water owes Solid Waste for Credit Card Revenue received by Water.

% General fund owes Solid Waste for Gas payroll.

** Water and Sewer owes Gas for Credit Card Revenue received by Water.

Gas owes General Fund for Roth Reimb and gas reimb purchased by the General Fund

@General Fund owes Water for overpayment of Roth.

! Water owes General Fund for the last week of payroll in June.

!! Solid Waste owes General Fund for Gas and Diesel

!!! Gas owes Water for Sales Tax

Interfund Note Receivable**Governmental Funds**

General Fund Water and Sewer

Solid Waste to Gas - Truck

Solid Waste to Gas - Truck

	<u>Principal</u>	<u>Interest</u>
2022	\$ 18,890	\$ 62
2023	18,899	52
2024	18,909	43
2025	18,918	34
2026	18,928	24
2027	18,937	14
2028	18,767	5
	<u>\$ 132,248</u>	<u>\$ 234</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021
(Continued)

NOTE 6 – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft or, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year and settlements have not exceeded insurance coverage for each of the past three fiscal years.

NOTE 7 - COMPENSATED ABSENCES

	Beginning Balance	Additions	Subtractions	Ending Balance
General Fund	\$ 1,985	\$ 568.00	\$ -	\$ 2,553
Solid Waste	27	1,789	-	1,816
Gas	1,505	-	249	1,256
Water and Sewer	2,416	-	1,160	1,256
Total Compensated Absences	<u>\$ 5,933</u>	<u>2,357</u>	<u>\$ 1,409</u>	<u>\$ 6,881</u>

NOTE 8 – SUBSEQUENT EVENTS

The Town evaluated subsequent events through August 8, 2022, the date which the financial statements were available to be issued. The Town received a Home Improvement Grant in the amount of \$500,000 with a grant period from July 1, 2020, through June 30, 2021. As of June 30, 2021, no expenditures have been incurred on the grant.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

This adjustment was to correct the posting of prior year property tax receivable resulted in the adjustment below:

Government-wide

Governmental Activities

Balance 6/30/20	\$ 658,332
Prior Period Adjustment	<u>7,356</u>
Adjusted Balance 6/30/20	<u>\$ 665,688</u>

Deferred for perproperty tax was not recorded correctly.

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended June 30, 2021**(Continued)***NOTE 10 – INTERFUND LOANS**

In prior years, the Town made unauthorized and improper loans between funds. The Town enacted a Corrective Action Plan which was approved by the State Comptroller's Office wherein the Town would repay the loans, including interest, to the appropriate funds. The total amount of the illegal transfers agreed to in the plan was \$516,043.

Subsequent to the Corrective Action Plan the Town continued to make illegal transfers between funds. This additional amount was \$63,015. The grand total of illegal transfers is \$579,058.

A repayment plan was adopted in the Corrective Action Plan. The State Comptroller's Office has agreed to allow the excess over the original amount to be repaid after the original 5-year agreement is completed.

The following is the repayment plan adopted in the Corrective Action Plan. The State Comptroller's Office has agreed to allow the excess over the original amount to be repaid after the original 5-year agreement is complete.

Interfund Notes Payable

	Balance 7/1/2020	Additions	Retirement	Adjustment	Balance 6/30/2021
Solid Waste to Water & Sewer - Truck	<u>151,129</u>	-	<u>18,881</u>	-	<u>132,248</u>
TOTAL	<u><u>\$ 151,129</u></u>	<u>\$ -</u>	<u><u>\$ 18,881</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 132,248</u></u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURE OF FEDERAL, STATE AND LOCAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Type of Grant	Pass-Through Entity	CFDA NUMBER	GRANT NUMBER	Award Amount	(Accrued) or Deferred Revenue at June 30, 2020	Cash Receipts	Expenditures/ Revenue Recognized	(Accrued) or Deferred Revenue at June 30, 2021
United State Department of Housing and Urban Development	Wastewater Improvement Grant	Tennessee Community Development	14.228	54304	1,784,000	200,910	288,372	101,550	14,088
Total HUD Grant					<u>\$ 1,784,000</u>	<u>\$ 200,910</u>	<u>\$ 288,372</u>	<u>\$ 101,550</u>	<u>\$ 14,088</u>
COVID - 19 Funds									
AARP					\$ 138,120	\$ -	\$ 138,120	\$ 138,120	\$ -
TN Direct Appropriations Grant					<u>50,612</u>	<u>-</u>	<u>50,612</u>	<u>50,612</u>	<u>-</u>
Total COVID 19 Relief Funds					<u>\$ 188,732</u>	<u>\$ -</u>	<u>\$ 188,732</u>	<u>\$ 188,732</u>	<u>\$ -</u>
Total Federal Awards					<u>\$ 1,972,732</u>	<u>\$ 200,910</u>	<u>\$ 477,104</u>	<u>\$ 290,282</u>	<u>\$ 14,088</u>

Notes to the Schedule of Federal Awards

Note 1—Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLES
For the Fiscal Year Ended June 30, 2021

Year	Tax Rate	Tax Levy	Balance July 1, 2019	Additions & Adjustments	Collections	Balance June 30, 2020
2020	2.0446	9,010,748	\$ -	\$ 184,236	\$ -	\$ 184,236
2019	2.0446	8,282,241	172,123	-	154,803	17,320
2018	2.0446	8,282,241	22,819	-	16,106	6,713
2017	2.0446	9,565,245	6,293	-	4,136	2,157
2016	2.0446	8,155,679	2,400	-	2,400	-
2015	2.0446	11,329,948	416	-	416	-
2014	2.0446	10,782,527	-	-	-	-
2013	2.0446	11,659,572	-	-	-	-
2012	2.0446	7,884,109	-	-	-	-
2011	2.0446	8,472,828	-	-	-	-
Total			<u>\$ 204,051</u>	<u>\$ 184,236</u>	<u>\$ 177,861</u>	<u>\$ 210,426</u>

Delinquent taxes through 2015 have been filed with Chancery Court.

See Independent Auditors' Report.

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS*For the Year Ended June 30, 2021*

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>State Street Aid</u>	<u>Drug Fund</u>	
ASSETS			
Cash and Cash Equivalents	\$ 32,854	\$ 3,872	\$ 36,726
Receivables:			
Due from General Fund	-	-	-
Notes Receivable from General Fund	-	-	-
Accounts Receivable	5,943	-	5,943
Total Assets	<u>\$ 38,797</u>	<u>\$ 3,872</u>	<u>\$ 42,669</u>
LIABILITIES			
Accounts Payable	\$ 4,621	\$ -	\$ 4,621
Due to Other Funds	3,087	-	3,087
Total Liabilities	<u>7,708</u>	<u>-</u>	<u>7,708</u>
FUND BALANCES			
Restricted Fund Balance:			
Highways and Streets	31,089	-	31,089
Law Enforcement	-	3,872	3,872
Total Fund Balance	<u>31,089</u>	<u>3,872</u>	<u>34,961</u>
Total Liabilities and Fund Balance	<u>\$ 38,797</u>	<u>\$ 3,872</u>	<u>\$ 42,669</u>

*COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021*

	Special Revenue		Total Nonmajor Governmental Funds
	State Street Aid	Drug Fund	
Revenues			
Interest	\$ 41	\$ -	\$ 41
Gas 3 Cent	5,038	-	5,038
Gasoline and Motor Tax	17,436	-	17,436
Gas 1989	2,719	-	2,719
State Gas Improvements	8,770	-	8,770
Total Revenues	<u>34,004</u>	<u>-</u>	<u>34,004</u>
Expenditures			
Current:			
Street Lights	\$ 30,145	\$ -	\$ 30,145
Capital Outlay	-	-	-
Total Expenditures	<u>30,145</u>	<u>-</u>	<u>30,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,859</u>	<u>-</u>	<u>3,859</u>
Other Financing Sources (Uses)			
Transfer From General Fund	-	-	-
Transfer To General Fund	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,859	-	3,859
Fund Balance - Beginning	27,230	3,872	31,102
Fund Balance - Ending	<u>\$ 31,089</u>	<u>\$ 3,872</u>	<u>\$ 34,961</u>

*STATE STREET AID FUND (SPECIAL REVENUE FUND)**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL**For the Year Ended June 30, 2021*

	State Street Aid			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Interest	\$ 11	\$ 12	\$ 41	\$ 29
State of TN Gasoline Tax (940)	4,500	5,000	5,038	38
State of TN Motor Fuel (941)	15,456	17,300	17,436	136
State Gas Tax (942)	2,400	2,700	2,719	19
State Gas Improvement	7,740	8,500	8,770	270
General Fund Repayment	-	-	-	-
Fines				
Total Revenues	<u>30,107</u>	<u>33,512</u>	<u>34,004</u>	<u>492</u>
Expenditures				
Current:				
Street Lights	28,000	28,000	30,145	(2,145)
Bank Charges	-	-	-	-
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>30,145</u>	<u>(2,145)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,107</u>	<u>5,512</u>	<u>3,859</u>	<u>(1,653)</u>
Other Financing Sources (Uses)				
Transfer From General Fund	<u>2,033</u>	-	-	
Total Other Financing Sources (Uses)	<u>2,033</u>	-	-	-
Net Change in Fund Balance	<u>4,140</u>	<u>5,512</u>	<u>3,859</u>	<u>(1,653)</u>
Fund Balance - Beginning			<u>27,230</u>	
Fund Balance - Ending			<u>\$ 31,089</u>	

*DRUG FUND (SPECIAL REVENUE FUND – SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2021*

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:				
Supplies	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfer From General Fund				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning			3,872	
Fund Balance - Ending			\$3,872	

SCHEDULE OF INVESTMENT – ALL FUNDS
For the Year Ended June 30, 2021

	Government Fund	Proprietary Fund
Cash	\$ 847,765	\$ 1,565,787
Certificate of Deposit	-	71,582
Restricted Certificate of Deposit	-	114,871
Total Investment	<u>\$ 847,765</u>	<u>\$ 1,752,240</u>

SCHEDULE OF UTILITY RATES IN FORCE
For the year ended June 30, 2021

<u>Water</u>	<u>Per 1000 gallons</u>	<u>Minimum</u>
<u>Water (Class 2)</u>		
First 3,000 gallons		\$ 27.85
3,001-5,000 gallons	\$ 7.50	
5,000-8,000	\$ 6.96	
> 8,000	\$ 6.43	

Number of customers at year end 433

<u>Sewer</u>	<u>100% of water rate</u>	
<u>Water (Class 22)</u>		
First 3,000 gallons		\$ 27.85
3,001-5,000 gallons	\$ 7.50	
5,000-8,000	\$ 6.96	
> 8,000	\$ 6.43	

Number of customers at year end 403

Gas Fund

Schedule of Utility Rates in Force
 For the year ended June 30, 2020

	<u>Per 10 cu. Feet</u>	<u>Minimum</u>
Residential	\$ 6.91	\$ 6.91
Special Residential	\$ 7.79	\$ 7.79
Commercial	\$ 12.43	\$ 12.43
Dumpsters		

Number of gas customers at year end 228

SCHEDULE OF CASH SHOTAGES AND OTHER THEFTS – CURRENT AND PRIOR YEARS*For the Period July 1, 2017 through June 30, 2021*

	Fiscal Year First Reported	Department	Original Audit finding Number/ Reference	Original Amount of Shortage	Beginning/Carry- Forward Balance	Current Year Shortage	Current Year Reductions	End of Year Balance
1	2019	General Government	2019-2	-	2,237.74	-	-	2,237.74
2	2019	General Government	2019-2	-	4,151.51	-	-	4,151.51
3	2019	General Government		-	60,000.00	16,000.00	-	76,000.00

1. General Government

The audit of the 2018-19 year reported a cash shortage of \$2,237.74. An investigation report issued by the Tennessee Comptroller of the Treasury in October, 2020 revealed that from 2017-2019 the mayor used the town's debit card to make at least \$1,396.42 in unauthorized personal purchase. The mayor also used the town's credit card to make unauthorized purchases of \$841.32.

Disposition: At October 30, 2020, no restitution payments had been made. In October 2020 the mayor was indicted on theft of \$10,000 or less, case has not gone to trial.

Subsequent testing: No additional unauthorized use was noted from July 1, 2020 until June 30, 2021.

2. General Government

The audit of the 2018-2019 year reported a cash shortage of \$4,151.51. An investigation report issued by the Tennessee Comptroller of the Treasury in October, 2020 revealed that from 2017-2019 the mayor used the town's debit card for \$204.30 in meal purchases on four occasions. The mayor also used the town's Wal-Mart credit card for \$158.72 to purchase various items. The mayor made \$3,788.49 in questionable travel expenses due to lack of supporting documentation and failure to comply with applicable town policies.

Disposition: At October 30, 2020, no restitution payments had been made. In October 2020 the mayor was indicted on theft of \$10,000 or less, case has not gone to trial.

Subsequent testing: No additional unauthorized use was noted from July 1, 2020 until June 30, 2021.

3. General Government

An investigation report issued by the Tennessee Comptroller of the Treasury in October 2020 stated that in December 2017, the mayor entered into a contract with a financial consultant for the town's financial matters at a rate of \$2,000 per month, even though the town employed a CPA firm to act in the certified municipal financial officer capacity for the town. Based on interviews and lack of documentation, investigators could not substantiate that the financial consultant provided any of the services to the town that were outlined in the contract. The financial consultant voluntarily stated to investigators he would reimburse the town half of the monies paid to him for his services.

Disposition: As of the date of this report, the financial consultant has not paid any money back to the town.

Subsequent testing: There were no additional unauthorized use in the amount of \$16,000 from July 1, 2020 to June 30, 2021.

SCHEDULE OF CHANGES IN LONG-TERM DEBTS
For the Year Ended June 30, 2021

	<u>GENERAL FUND</u>		<u>PROPRIETARY FUNDS</u>			
	<u>97-06</u>	<u>97-08</u>	<u>91-02</u>	<u>91-04</u>	<u>91-10</u>	<u>Total</u>
Outstanding balance at 7/1/20	\$ 78,118	\$ 76,850	\$ 72,028	\$ 409,968	\$ 88,207	\$ 725,171
Add: additional loans	-	-	-	-	-	-
Less: Payments	<u>(2,888)</u>	<u>(2,083)</u>	<u>(72,028)</u>	<u>(10,963)</u>	<u>(88,207)</u>	<u>(176,169)</u>
Outstanding balance at 6/30/21	<u>\$ 75,230</u>	<u>\$ 74,767</u>	<u>\$ -</u>	<u>\$ 399,005</u>	<u>\$ -</u>	<u>\$ 549,002</u>

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

To the Honorable Mayor and Board of Aldermen
Town of Henning, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Town of Henning, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Henning, Tennessee's basic financial statements as listed in the table of contents and have issued our report thereon dated August 8, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control in the

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Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Continued)

accompanying schedule of findings and responses that we consider to be material weaknesses and is listed in the schedule of findings and questioned costs as item no. 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Henning, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is listed in the schedule of finding and questions costs as item nos. 2021-001, 2021-002, 2021-003 and 2021-004.

The Town of Henning, Tennessee's Response to Findings

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

Purpose of this Report

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



Jones and Tuggle, PLLC

Memphis, Tennessee

August 8, 2022

*SCHEDULE OF FINDING AND QUESTIONED COST**For the Year Ended June 30, 2021**I. Summary of Auditors' Results**Financial statements*

Type of audit report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified.	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance which is material to the financial statements noted?	No

Federal awards

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for wastewater Improvement grant:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
None	

Dollar threshold to distinguish between Type A and Type B programs	\$750,000
Auditee qualifies as a low-risk auditee?	No
<i>II. Financial Statement Findings</i>	None reported

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS**For the Year Ended June 30, 2021**Finding No. 2021-001 Segregation of Duties (Material Weakness) (Repeat Finding)*

Condition: Due to the size of the entity there is inadequate segregation of duties between the various accounting functions.

Criteria: Adequate segregation of duties is important in order to implement internal controls and maintain adequate safeguards over Town assets.

Cause: The lack of segregation of duties is caused by the small size of the town and a lack of eligible employees.

Effect: There is risk of potential for misstatement of the financial statements.

Recommendation: We recommends that the Town continue to monitor its internal control functions and implement as much segregation of duties as practical utilizing the current personnel and accounting services as well as management.

Response: We are aware of this situation and feel that we have implemented as much segregation of duties as possible utilizing our current staff. The Town has also now hired a full-time Recorder and we will continue to look for ways to improve this situation in the future.

Finding No. 2021-002 – Internal Controls (Repeat Finding)

Condition: The Town has no established and documented purchasing policy, written guidelines governing the use of credit cards, property inventory records for capital assets and maintained all city records.

Criteria: *Tennessee Code Annotated*, Section 9-15-102(a) requires, “Each agency or state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls” to protect funds, property, and other assets from fraud, waste, or abuse. *Tennessee Code Annotated*, Section 6-21-404, states the recorder “shall have custody of, and preserve in the recorder’s office all record, papers, and documents... and shall keep an accurate and modern index there of.”

Cause: The finding was caused by the lack of adequate staff to write a valid purchasing policy.

Effect: The Town is not in compliance with the State statute.

Recommendation: We recommend that the Town enact the necessary policies and procedures to bring them in compliance with State status.

See Independent Auditors’ Report.

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021*

Finding No. 2021-002 – Internal Controls (Repeat Finding) (Continued)

Response: We are aware of this situation, and we are working with MTAS to update all policies and procedures.

Finding No. 2021-3 Cash Shortage and Other Thefts

Condition: An Investigation report issued by the Tennessee Comptroller of the Treasury in October stated that in December 2017, the mayor entered into a contract with a financial consultant for the town's financial matters at a rate of \$2,000 per month, even though the town employed a CPA firm to act in the CFMO capacity for the town. Based on interviews and lack of documentation, investigators could not substantiate that the financial consult provided any of the services to the town that were outlined in the contract.

Criteria: Instances of fraud, misuse or abuse that have a material effect on the audit (financial statements or other financial data significant to the audit objectives must be communicated in the report on internal control over financial reporting and compliance and also address all such matters in a schedule of cash shortages and other thefts.

Cause: The Town entered into a consultant contract with a financial consultant that the State has determined to be unnecessary.

Effect: As a result of this finding the Schedule of Cash Shortages and Other Thefts show an increase in the amount of \$16,000 which is considered to be a questioned cost.

Recommendations: We recommend that the Town avoid entering into any financial contracts that relate to the Town's financial matters without the State approval.

Response: The Town believes that these services were necessary and that we have to legal recourse to have the consultant to repay the monies received.

Finding No. 2021-4 State Street Aid Expenditures Exceeded Budget

Condition: The total expenditure for the State Street Aid Fund exceeded the adopted budget by \$2,145.

Caused: The adopted budget was not revised to account for the additional expenditures.

Effect: The Town is not in compliance with its adopted budget.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Finding No. 2021-4 State Street Aid Expenditures Exceeded Budget (Continued)

Recommendation: We recommend that all future budgets be revised to include all expected expenditures.

Response: A portion of these expenditures should have been paid by the general fund, however, since the State Street Aid Fund had the funds in the bank it paid for all the expenditures.

*STATUS OF PRIOR YEAR FINDINGS**For the Year Ended June 30, 2021**Finding No. 2021-001 Segregation of Duties (Material Weakness) (Repeat Finding, Original Finding No. 2017-001)*

The town does not segregate duties adequately concerning its mail. The mayor had the only key to the town's post office box because he wanted to see what mail was coming in. In his absence, mail could have been left in the post office box for several days, therefore, monies mailed in for services could be delayed getting to the City Recorder's office. The town should adequately segregate the retrieval, opening, and distribution of mail.

Status: The finding stated above has not been corrected.

Finding No. 2021-002 – Internal Controls (Repeat Finding Original Finding No. 2020-002)

Condition: The Town has no established and documented purchasing policy, written guidelines governing the use of credit cards, property inventory records for capital assets and maintained all city records.

Status: The finding stated above has not been corrected.

Finding No. 2021-3 Cash Shortage and Other Thefts

Condition: An Investigation report issued by the Tennessee Comptroller of the Treasury in October stated that in December 2017, the mayor entered into a contract with a financial consultant for the town's financial matters at a rate of \$2,000 per month, even though the town employed a CPA firm to act in the CFMO capacity for the town. Based on interviews and lack of documentation, investigators could not substantiate that the financial consult provided any of the services to the town that were outlined in the contract.

Status: The amount of the cash shortages and other thefts increased during the current fiscal year by \$16,000.

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2021

JACKIE ALSTON

TOWN OF HENNING

SHARON GREEN

MARK MASSONGILL

260 N. MAIN

QUENTIN REED

CARSTELLA DOUGLAS

HENNING, TENNESSEE 38041

DEBORAH TAYLOR

(731)738-2997

BARBARA A. MANNS, MAYOR**TOWN OF HENNING, TENNESSEE****SCHEDULE OF FINDINGS AND QUESTIONED COST/CORRECTIVE ACTION****For the Year Ended June 30, 2021**

Finding No. 2021-001 Segregation of Duties (Material Weakness) (Repeat Finding)

Condition: Due to the size of the entity there is inadequate segregation of duties between the various accounting functions.

Criteria: Adequate segregation of duties is important in order to implement internal controls and maintain adequate safeguards over Town assets.

Effect: There is risk of potential for misstatement of the financial statements.

Recommendation: We recommend that the Town continue to monitor its internal control functions and implement as much segregation of duties as practical utilizing the current personnel and accounting services as well as management.

Response: We are aware of this situation and feel that we have implemented as much segregation of duties as possible utilizing our current staff. The Town has now hired a full time Recorder and we will continue to look for ways to improve this situation in the future.

Finding No. 2021-002 Internal Controls (Repeat Finding)

Condition: The Town has no established and documented purchasing policy, written guidelines governing the use of credit cards, property inventory records for capital assets and maintained all city records.

Criteria: Tennessee Code Annotated, Section 9-15-102(a) requires, "Each agency or state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls" to protect funds, property, and other assets from fraud, waste, or abuse. Tennessee Code Annotated, Section 6-21-404, states the recorder "shall have custody of, and preserve it in the recorder's office all record, papers, and documents... and shall keep an accurate and modern index there of."

Effect: The Town is not in compliance with the State statute.

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2021

Recommendation: We recommend that the Town enact the necessary policies and procedures to bring them in compliance with State statute.

Response: We are aware of this situation, and we are working with MTAS to update all policies and procedures to ensure that a purchasing policy, written guidelines governing the use of credit cards, property inventory records for capital assets are all maintained for city records.

Finding No. 2021-003 Cash Shortage and Other Thefts

Condition: An Investigation report issued by the Tennessee Comptroller of the Treasury in October stated that in December 2017, the mayor entered into a contract with a financial consultant for the town's financial matters at a rate of \$2,000 per month, even though the town employed a CPA firm to act in the CFMO capacity for the town. Based on interviews and lack of documentation, investigators could not substantiate that the financial consultant provided any of the services to the town that were outlined in the contract.

Criteria: Instances of fraud, misuse or abuse that have a material effect on the audit (financial statements or other financial data significant to the audit objectives must be communicated in the report on internal control over financial reporting and compliance and also address all such matters in a schedule of cash shortages and other thefts.

Cause: The Town entered into a consultant contract with a financial consultant that the State has determined to be unnecessary.

Effect: As a result of this finding the Schedule of cash shortages and other thefts show an increase in the amount of \$16,000 which is considered to be questioned cost.

Recommendations: We recommend that the Town avoid entering into any financial contracts that relate to the Town's financial matters without the State's approval.

Response: The town believes that these services were necessary and that we have to legal recourse to have the consultant to repay the monies received.

Finding No. 2021-004 State Street Aid Expenditures Exceeded Budget

Condition: The total expenditure for the State Street Aid Fund exceeded the adopted budget by \$2,145.

Caused: The adopted budget was not revised to account for the additional expenditures.

Effect: The Town is not in compliance with its adopted budget.

Recommendation: We recommend that all future budgets be revised to include all expected expenditures.

Response: A portion of these expenditures should have been paid by the general fund, however, since the State Street Aid Fund had the funds in the bank it paid for all the expenditures.

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2021

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 20, 2021

2021-001 Segregation of Duties (Material Weakness) (Repeat Finding)

Contact Person: Barbara A. Manns

Corrective Action: We are aware of this ongoing finding and feel that we have implemented as much segregation of duties as possible. We have hired new employees to help with the duties as well as, working closely with our accounting firm to make sure all assets are covered.

2021-002 Internal Controls (Repeat Finding)

Contact Person: Barbara A. Manns

Corrective Action: We are currently working with MTAS to update the Town of Henning's policy and procedures to ensure that the Town of Henning is in compliance with the State statute.

Responsible Party: The Board of Mayor and Alderman is responsible for making sure that there is proper segregation of duties and getting the policy and procedures updated for the Town.

2021-003 Cash Shortage and Other thefts

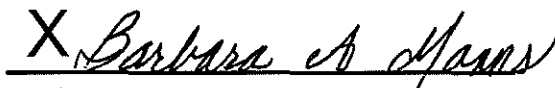
Contact Person: Barbara A. Manns

Corrective Action: The town has took the proper steps with our attorney's office and got out of the contract agreement that was made with this financial consultant. The town's attorney did send a demand letter requesting the monies paid to them but have been unable to collect these funds.

2021-004 State Street Aid Expenditures Exceeded Budget

Contact Person: Barbara A. Manns

Corrective Action: The town will be sure to amend any future budgets to reflect all expenditures.



Barbara A. Manns
Mayor