

TOWN OF HENNING, TENNESSEE

AUDIT REPORT
June 30, 2022

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ROSTER OF PUBLIC ELECTED AND APPOINTED OFFICIALS

TOWN OF HENNING, TENN

ROSTER OF PUBLICLY ELECTED AND APPOINTED OFFICIALS

Quenton Reed	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, 2022, 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

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, 2022, 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 March 21, 2023, 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.



Jones and Tuggle, PLLC

Memphis, TN

March 21, 2023

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, 2022. 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 2022 fiscal year by \$7,032,674 (net position). Of this amount, \$2,433,170 (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 \$112,877.

As of the close of the current fiscal year, the Town of Henning's Governmental Funds reported combined ending fund balance balances of \$659,005, a decrease of \$71,300 in comparison with the prior year. Approximately \$607,119 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, 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 well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 \$7,032,674 at the close for the fiscal year, June 30, 2022.

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 \$112,877. Total net position of the governmental activities increased by \$221,818 and the business-type activities increased by \$108,473.

*Management Discussion and Analysis (Continued)**Table I - Town of Henning, Tennessee's Changes in Net Position
June 30, 2022, and 2020*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Current/ Other Assets	\$ 1,111,455	\$ 1,047,397	\$ 1,500,661	\$ 1,987,882	\$ 2,612,116	\$ 3,035,279
Capital Assets	312,989	383,221	4,857,021	4,547,816	5,170,010	4,931,037
Total Assets	1,424,444	1,430,618	6,357,682	6,535,698	7,782,126	7,966,316
Deferred Outflows of Resources	-	-	-	-	-	-
Long-term Debt						
Outstanding	150,098	145,019	387,565	387,566	537,663	532,585
Other Liabilities	189,552	162,251	(61,495)	7,717	128,057	169,968
Total Liabilities	339,650	307,270	326,070	395,283	665,720	702,553
Deferred Inflows of Resources	197,289	231,089	-	-	197,289	231,089
Net Position						
Net Investment in Capital Asset	162,892	243,609	4,145,027	4,160,250	4,307,919	4,403,859
Restricted Assets	7,586	49,659	145,944	145,986	153,530	195,645
Unrestricted Assets	717,377	598,990	1,740,641	1,834,180	2,458,018	2,433,170
Total Net Position	\$ 887,855	\$ 892,258	\$ 6,031,612	\$ 6,140,416	\$ 6,919,467	\$ 7,032,674

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, 2022, and 2020*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program Revenues:						
Charges for Services	190,292	121,872	597,284	616,784	787,576	738,656
Grants/Contributions	38,166	444,949	101,550	164,184	139,716	609,133
General Revenues						-
Taxes	485,837	464,619			485,837	464,619
Other General Revenues	1,264	1,302	2,936	2,232	4,200	3,534
Total Revenues	<u>715,559</u>	<u>1,032,742</u>	<u>701,770</u>	<u>783,200</u>	<u>1,417,329</u>	<u>1,815,942</u>
Expenses:						
General Government	172,712	199,933	-	-	172,712	199,933
Public Safety	83,770	261,690	-	-	83,770	261,690
Highways/Streets	146,921	217,088	-	-	146,921	217,088
Culture/Recreation	31,431	349,627	-	-	31,431	349,627
Depreciation	58,558	-	210,733	-	269,291	-
Miscellaneous	-	-	-	-	-	-
Water/Sewer	-	-	237,262	444,743	237,262	444,743
Gas	-	-	160,045	229,983	160,045	229,983
Total Expenses	<u>493,392</u>	<u>1,028,338</u>	<u>608,040</u>	<u>674,726</u>	<u>1,101,432</u>	<u>1,703,064</u>
Increase(decrease) in Net Assets	<u>222,167</u>	<u>4,404</u>	<u>93,730</u>	<u>108,474</u>	<u>315,897</u>	<u>112,878</u>

Governmental Activities

Revenues for governmental activities decreased by \$317,183. Total expense increased by \$534,946. The increase in revenue and the increase in expenses is due mainly from the monies that were received and spend due to COVID funds. The police department also hired several police officers and brought new police vehicles.

*Management Discussion and Analysis (Continued)**Business-Type Activities*

Water and Sewer Fund:

Total net position increased during the current fiscal year by \$14,743 due to Grants received.

Total operating income increased by \$81,429.

Gas Fund:

Total net position decreased by \$64,688.

Total operating income decreased by \$21,388.

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 \$685,005 or an increase of approximately \$71,300. Of this combined fund balance, \$607,119 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, 2022, the unassigned fund balance is \$629,346.

Budgetary highlights, - Total general fund budgeted revenues exceeded total revenues by \$45,323. Total general fund budgeted expenses exceeded total general fund expenses by \$3,850.

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, 2022 were \$1,427,992 and \$406,188, respectively.

*Management Discussion and Analysis (Continued)**Capital Assets and Debt Administration**Capital Assets**Table 3 – Capital Assets at June 30, 2022**Capital assets at Year-End**Net of Depreciation*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Land	\$ 20,000	\$ 20,000	\$ 85,616	\$ 85,616	\$ 105,616	\$ 105,616
Construction in Progress	-	-	1,618,966	1,802,136	1,618,966	1,802,136
Building/ System	268,102	294,842	2,839,450	2,660,063	3,107,552	2,954,905
Total	<u>\$ 288,102</u>	<u>\$ 314,842</u>	<u>\$ 4,544,032</u>	<u>\$ 4,547,815</u>	<u>\$ 4,832,134</u>	<u>\$ 4,862,657</u>

Capital assets (net of accumulated depreciation) used in governmental activities increased approximately \$26,740 and capital assets (net of accumulated depreciation) used in business-type activities increased by approximately \$3,783 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	
	2021	2022	2021	2022	2021	2022
General Obligation Bonds	\$150,098.00	\$ -	\$ -	\$ -	\$ 150,098	\$ -
Revenue Bonds	-	-	399,005	-	399,005	-
Civil Penalty	-	-	-	-	-	-
Capital Lease Payable	-	-	-	-	-	-
Total	<u>\$ 152,119</u>	<u>\$ -</u>	<u>\$ 399,005</u>	<u>\$ -</u>	<u>\$ 549,103</u>	<u>\$ 0.00</u>

Table 5 – Interfund Payables

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Interfund Payables	\$ 132,248	\$ -	\$ -	\$ -	\$ 132,248	\$ -
Total	<u>\$ 132,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,248</u>	<u>\$ -</u>

At June 30, 2022, the Town of Henning had a total debt of \$-0-.

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 2022 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<i>ASSETS</i>			
Cash - Unrestricted	\$ 696,951	\$ 1,542,180	\$ 2,239,131
Certificates of Deposit - Unrestricted	-	71,582	71,582
Accounts Receivable - Customers	-	76,652	76,652
Accounts Receivable - Other	22,155	-	22,155
Grant Receivable	9,265	84,365	93,630
Note Receivable-State	9,284	-	9,284
Inventory - Diesel/Gas	7,785	-	7,785
Due From Other Funds	(67,117)	67,117	-
Property Tax Receivable - Current/delinquent	248,680	-	248,680
Restricted Assets:			
Cash - Restricted	120,395	31,116	151,511
Certificate of Deposits	-	114,871	114,871
Capital Assets (net of accumulated depreciation)			
Land	20,000	85,616	105,616
Building and Systems	363,220	4,462,200	4,825,420
Total Assets	<u>\$ 1,430,618</u>	<u>\$ 6,535,699</u>	<u>\$ 7,966,317</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>LIABILITIES</i>			
Accounts Payable and Other Accrued Liabilities	40,795	107,547	148,342
Due to Other Funds	-	-	-
Customers deposits	-	14,084	14,084
Internal Balances-Advances	116,508	(116,505)	3
Debet Due in One Year	5,407	11,936	17,343
Compensated Absences	4,948	2,591	7,539
Total Current Liabilities	<u>167,658</u>	<u>19,653</u>	<u>187,311</u>
Noncurrent Liabilities:			
Due in More Than One Year	<u>139,612</u>	<u>375,630</u>	<u>515,242</u>
Total Noncurrent Liabilities	<u>139,612</u>	<u>375,630</u>	<u>515,242</u>
Total Liabilities	<u>307,270</u>	<u>395,283</u>	<u>702,553</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>			
Deferred Property Tax	<u>231,089</u>	<u>-</u>	<u>231,089</u>
Total Deferred Inflows of Resources	<u>231,089</u>	<u>-</u>	<u>231,089</u>

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

STATEMENT OF NET POSITION (Continued)
 For the Year Ended JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<i>NET POSITION</i>			
Net Investment in Capital Assets	238,201	4,160,250	4,398,451
Restricted for:			
Heritage Museum	2,906	-	2,906
Inventory	7,785		7,785
Street Aid	37,269	-	37,269
Solid Waste	(22,227)		(22,227)
Drug Fund	3,928	-	3,928
Debt Services	-	145,987	145,987
Unrestricted	624,479	1,834,179	2,458,658
Total Net Position	<u>\$ 892,341</u>	<u>\$6,140,416</u>	<u>\$7,032,757</u>

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

GENERAL GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/ Programs:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Primary Government:							
Governmental Activities:							
General Government	\$183,431	\$ 2,039	\$ 20,084	\$ 230,214	\$ 68,906	\$ -	\$ 68,906
Public Safety	252,926	11,712	-	-	(241,214)	-	(241,214)
Highways and Streets	194,589	106,989	31,345	-	(56,255)	-	(56,255)
Parks and Recreation	26,043	1,000	-	-	(25,043)	-	(25,043)
Miscellaneous	-	26,766	-	-	26,766	-	26,766
Capital Outlay	298,163	-	-	-	(298,163)	-	(298,163)
COVID Grant Funds	14,187	-	138,120	-	123,933	-	123,933
Depreciation	58,999	-	-	-	(58,999)	-	(58,999.00)
Total Governmental Activities	<u>1,028,338</u>	<u>148,506</u>	<u>189,549</u>	<u>230,214</u>	<u>(460,069)</u>	<u>-</u>	<u>(460,069)</u>
Business-type Activities:							
Water and Sewer	238,840	451,788	-	164,184	-	377,132	377,132
Gas	218,668	164,995	-	-	-	(53,673)	(53,673)
Depreciation	217,268	-	-	-	-	(217,268)	(217,268)
Total Business-type Activities	<u>674,776</u>	<u>616,783</u>	<u>-</u>	<u>164,184</u>	<u>-</u>	<u>106,191</u>	<u>106,191</u>
Total Primary Government	<u>1,703,114</u>	<u>765,289</u>	<u>189,549</u>	<u>164,184</u>	<u>(460,069)</u>	<u>106,191</u>	<u>(353,878)</u>
General Revenues:							
Property Taxes					206,465	-	206,465
Sales Tax					188,775	-	188,775
Other Taxes					30,844	-	30,844
Payments in Lieu of Tax					37,126	-	37,126
Unrestricted Investment Earnings					1,345	2,286	3,631
Total General Revenues					<u>464,555</u>	<u>2,286</u>	<u>466,841</u>
Change in Net Assets					4,486	108,477	112,963
Net Assets - Beginning without donor restrictions					887,855	6,031,939	6,919,794
Prior Period Adjustment - Note 11					-	-	-
Net Assets - Ending					<u>\$ 892,341</u>	<u>\$ 6,140,416</u>	<u>\$ 7,032,757</u>

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

BALANCE SHEET- GOVERNMENTAL FUNDS*For the Year Ended June 30, 2022*

	General	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash - Unrestricted	\$696,951	\$ -	\$ -	\$696,951
Cash - Restricted	2,906	81,082	36,407	120,395
Accounts Receivable				
Property Tax Receivable - Current	223,184	-	-	223,184
Property Tax Receivable - Prior	25,496	-	-	25,496
Uncollectible Receivable	-	-	-	-
Due from Sanitation	953			953
Due to Water	5,188	2,882	-	8,070
Due from SSA	-			-
Due to Gas	1,087	-	-	1,087
Due from General Fund	-	2,537	4,604	7,141
State	9,284	-	2,674	11,958
Grant Receivable	9,265			9,265
Other	7,371	12,110	-	19,481
Inventory Gas/Diesel	7,785	-	-	7,785
Total Assets	<u>\$989,470</u>	<u>\$98,611</u>	<u>\$43,685</u>	<u>\$1,131,766</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	6,866	3,208	2,488	12,562
Advance from Water and Sewer	-	116,508	-	116,508
Advance from Gas	-	-	-	-
Due to State Street Aid	4,604	-	-	4,604
Due to Sanitation	2,537			2,537
Due to Water and Sewer	76,275	953		77,228
Due to General Fund	-	-	-	-
Other Payables and accrued expenses	28,064	169	-	28,233
Total Liabilities	118,346	120,838	2,488	241,672
Deferred Inflows:				
Deferred Property Tax-Current	231,089	-	-	231,089
Total Deferred Inflows	231,089	-	-	231,089
Fund Balances:				
Nonspendable Fund Balance:				
Inventory	7,785	-	-	7,785
Restricted Fund Balance:				
Street Aid	-	-	37,269	37,269
Highways and Streets	-	-	-	-
Law Enforcement	-	-	3,928	3,928
Solid Waste		(22,227)		(22,227)
Heritage Museum	2,906	-	-	2,906
Unassigned:	629,344	-	-	629,344
Total Fund Balances	640,035	(22,227)	41,197	659,005
Total Liabilities and Fund Balances	<u>\$ 989,470</u>	<u>\$ 98,611</u>	<u>\$ 43,685</u>	<u>\$ 1,131,766</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, 2022*

Total Fund Balance - Governmental Funds		\$ 659,005
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	804,315	
Equipment	1,041,253	
Accumulated depreciation	<u>(1,482,348)</u>	383,220
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		
		83
Accrued Vacation		(4,948)
Long-term liabilities including bonds payable, are not due in current period and therefore are not reported in the funds		
		(145,019)
Net Position of Governmental Activities		<u><u>\$ 892,341</u></u>

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

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022*

	General	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Property Tax	\$ 192,780	\$ -	\$ -	\$ 192,780
Prior Year Property Tax	13,685	-	-	13,685
Public Utility	-	-	-	-
Payment in lieu of Tax - Ripley P & L	3,975	-	-	3,975
Payment in lieu of - TVA	9,043	-	-	9,043
Pilot - Gas	22,237	-	-	22,237
Pilot - Water	1,871	-	-	1,871
Local Sales Tax	88,193	-	-	88,193
Wholesale Beer Tax	19,735	-	-	19,735
Business Tax	3,185	-	-	3,185
Business Licenses	-	-	-	-
Cable Franchise Fee	4,198	-	-	4,198
Beer Applications	662	-	-	662
Building Permits	777	-	-	777
State Sales Tax	100,582	-	-	100,582
State Income Tax	-	-	-	-
State Beer Tax	398	-	-	398
Petroleum Special Tax	1,643	-	-	1,643
Excise Tax	-	-	-	-
State Partnership 2010	46	-	-	46
Telecommunications	1,639	-	-	1,639
Sportbet	860	-	-	860
Charges for Services	-	107,020	-	107,020
Sale of Equipment	-	-	-	-
Fines	8,567	-	3,145	11,712
Fire Department Collections	-	-	-	-
Interest Earnings	926	331	42	1,299
Donations - Palmer Turner Center	1,000	-	-	1,000
Rent - Palmer Turner Center	-	-	-	-
Insurance Recoveries	-	-	-	-
Grant	20,084	-	-	20,084
CDBG Home Grant	230,214	-	-	230,214
Fees	-	-	-	-
Gas 3 Cent	-	-	4,643	4,643
Gasoline and Motor Tax	-	-	16,098	16,098
Gas 1989	-	-	2,506	2,506
State Gas Improvement	-	-	8,098	8,098
Miscellaneous	700	-	-	700
Total Revenues	<u>727,000</u>	<u>107,351</u>	<u>34,532</u>	<u>868,883</u>

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, 2022*

	<u>General</u>	<u>Solid Waste Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>EXPENDITURES</i>				
Current:				
Administration	231,042	-	-	231,042
Police	311,589	-	3,100	314,689
Fire	24,510	-	-	24,510
Street	86,163	97,673	25,208	209,044
Parks and Recreation	298,163	-	-	298,163
Total Expenditures	<u>951,467</u>	<u>97,673</u>	<u>28,308</u>	<u>1,077,448</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(224,467)</u>	<u>9,678</u>	<u>6,224</u>	<u>(208,565)</u>
<i>OTHER FINANCING SOURCES (USES)</i>				
COVID 19 Grant	138,120	-	-	138,120
Local Government DA Grant	25,186	-	-	25,186
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>163,306</u>	<u>-</u>	<u>-</u>	<u>163,306</u>
Net Change in Fund Balance	(61,161)	9,678	6,224	(45,259)
Fund Balance - Beginning	727,242	(31,904)	34,968	730,306
Prior Period Adjustment	-	-	-	-
Fund Balance - Ending	<u>\$ 666,081</u>	<u>\$ (22,226)</u>	<u>\$ 41,192</u>	<u>\$ 685,047</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, 2022

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

Net change in fund balances - total governmental funds	\$ (45,259)
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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	129,231
Depreciation Expense	(58,999)
Loss on Sale of Equipment	(1,337)

Some revenues do not provide correct financial resources and are reported as deferred inflows of resources in the governmental funds.	549
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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	5,078
Compensated Absences	<u>1,182</u>

Change in Net Position of Governmental Activities	<u><u>\$ 30,445</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property Tax	\$170,000	\$160,000	\$192,780	\$ 32,780
Prior Year Property Tax	26,000	15,000	13,685	(1,315)
Public Utility Tax	17,000	17,000	-	(17,000)
Property Tax Penalty and Interest	-	-	-	-
Payment in lieu of tax - Ripley P & L	5,500	2,700	3,975	1,275
Payment in lieu of - TVA	11,500	9,030	9,043	13
PILOT - Gas	26,600	26,690	22,237	(4,453)
PILOT - Water and Sewer	3,200	3,207	1,871	(1,336)
Local Sales Tax	73,000	85,000	88,193	3,193
Wholesale Beer Tax	21,000	22,400	19,735	(2,665)
Business Tax	2,300	500	3,185	2,685
Business Licenses	100	-	-	0
Cable Franchise Fee	3,800	4,350	4,198	(152)
Beer Applications	350	760	662	(98)
Building Permits	700	500	777	277
State Sales Tax	84,000	85,000	100,582	15,582
State Income Tax	150	150	-	(150)
State Beer Tax	443	450	398	(52)
Petroleum Special Tax	1,876	1,643	1,643	-
Excise Tax	-	-	-	-
Sales Partnership 2010	-	240	46	(194)
Telecommunications	1,370	1,600	1,639	39
Sportbet	-	350	860	510
Fines	2,000	15,000	8,567	(6,433)
Police Salary Supplement	-	-	-	-
Grant	-	-	20,084	20,084
Fire Department Collection	-	5,000	-	(5,000)
Interest Earnings	283	900	926	26
Sale of Equipment	0	-	-	-
Donations - Palmer Turner	1,500	1,500	1,000	(500)
Rent - Palmer Turner Center	1,000	-	-	-
Sale of Property	-	-	-	-
Insurance Recoveries	-	-	-	-
CDBG Grant	500,000	220,949	230,214	9,265
Fees	0	-	-	-
Miscellaneous	1,500	500	700	200
Total Revenues	<u>\$955,172</u>	<u>\$680,419</u>	<u>\$727,000</u>	<u>\$ 46,581</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
Administration:				
Mayor and Aldermen Salaries	19,800	19,800	18,750	1,050
City Attorney	5,000	14,600	12,576	2,024
Judge	-	3,600	-	3,600
Salaries	33,464	43,604	44,688	(1,084)
Planning Committee	500	-	-	-
Committee Pay	-	-	-	-
Payroll Taxes	4,200	4,500	982	3,518
Essential Workers' Pay	-	12,250	12,250	-
Essential Workers' Payroll Taxes	-	938	937	1
Workman's Comp	-	-	-	-
Unemployment Insurance	602	2,600	3,390	(790)
Violation of TN Motor Vehicles	-	100	45	-
State Litigation Tax	500	500	180	320
Taxes	3,300	3,000	2,627	373
Postage	800	600	624	(24)
911 Dispatch	10,000	10,000	10,000	-
Public Notice	2,000	2,500	1,623	877
Membership Dues	3,000	3,000	4,819	(1,819)
Utilities	13,400	8,500	8,637	(137)
Security	400	400	403	(3)
Internet	800	800	562	238
Telephone	7,800	28,000	28,923	(923)
Professional Fees	600	2,500	2,673	(173)
CMFO	19,600	19,600	19,544	56
Annual Audit	5,000	5,100	1,342	3,758
Travel	4,000	2,200	3,167	(967)
Employee Medical Expense	350	-	-	-
Education	1,200	1,200	876	324
Miscellaneous	-	-	100	(100)
Copier Lease	680	680	589	91
Supplies	4,000	3,800	5,889	(2,089)
Bank Charges	2,000	2,000	2,082	(82)
City Hall Repairs	8,000	5,000	2,187	2,813
City Beautification	-	-	-	-
Insurance	11,900	8,000	7,146	854
Computer Maintenance	2,500	3,500	2,393	1,107
Donation	-	100	100	-
Mayor - Gas & Oil	-	-	-	-
Gas Interest	-	-	-	-
Water/ Sewer Interest	-	-	-	-
State Street Aid Interest	-	-	-	-
Building Inspector Salary	1,200	1,200	1,200	-
Capital Outlay	-	26,650	26,650	-
Total Administration Expenditures	166,596	240,822	227,954	12,813

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
POLICE DEPARTMENT				
Salaries	121,520	150,000	149,641	359
Animal Control Supplies	50	-	-	-
Payroll Taxes	-	11,611	9,175	2,436
Police Bank Charges	-	-	-	-
Advertising	-	1,300	1,074	226
Utilities	-	100	60	40
Telephone	-	4,500	4,912	(412)
Professional Fees	-	4,800	4,247	553
Security	-	31	31	-
Travel	3,675	14,500	10,522	3,978
Supplies	8,260	9,100	7,675	1,425
In Service Training	-	-	-	-
Employee Medical Expense	-	4,700	3,234	1,466
Repairs & Maintenance - Vehicles	12,000	5,000	2,804	2,196
Repairs & Maintenance	-	100	1,125	(1,025)
Uniforms	5,142	10,000	9,181	819
Rent	900	900	900	-
Towing	-	150	125	25
Insurance	1,700	17,150	18,484	(1,334)
Gas/ Oil	-	6,200	6,112	88
COVID 19 Improvements	-	1,000	1,000	-
Capital Outlay	92,934	92,934	80,907	12,027
Total Police Department Expenditures	<u>246,181</u>	<u>334,076</u>	<u>311,209</u>	<u>22,867</u>
FIRE DEPARTMENT				
Salaries	6,000	6,000	5,320	680
Payroll Taxes	459	459	407	52
Membership/ Dues	100	110	105	5
Utilities	4,000	5,800	5,185	615
Security	400	400	372	28
Internet	-	-	-	-
Telephone	2,040	2,900	2,855	45
Travel and Training	500	500	180	320
Supplies	1,200	1,200	108	1,092
Repair/ Maintenance	2,500	2,500	108	2,392
Gas/ Oil	500	1,200	-	1,200
Insurance	6,900	6,900	6,591	309
Capital Outlay	-	3,300	3,279	21
Total Fire Department	<u>24,599</u>	<u>31,269</u>	<u>24,510</u>	<u>6,759</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
STREET DEPARTMENT				
Salaries	33,500	34,750	35,550	(800)
Payroll Taxes	2,700	2,750	2,721	29
Public Notice	-	-	-	-
Utilities	8,200	15,350	10,195	5,155
Telephone	-	-	-	-
Supplies	5,000	5,000	3,650	1,350
Uniforms	-	-	-	-
Repair/ Maintenance	5,000	5,000	4,191	809
Repair/ Maintenance - Vehicles	11	1,100	248	852
Gas/Oil/ Diesel	6,000	3,500	6,843	(3,343)
Insurance	1,000	7,500	8,340	(840)
Capital Outlay	-	21,150	14,675	6,475
Total Street Department	<u>61,411</u>	<u>96,100</u>	<u>86,413</u>	<u>9,687</u>
PARK AND RECREATION				
P/p Salaries	-	-	-	-
Payroll Taxes	-	-	-	-
Advertising	-	-	-	-
Professional Fees	-	-	-	-
Utilities	10,200	10,200	9,748	452
Security	400	400	403	(3)
Internet	-	100	-	100
Telephone	1,100	500	235	265
Supplies	2,000	2,000	-	2,000
Repairs/ Maintenance	2,500	2,500	245	2,255
Insurance	5,700	9,000	8,939	61
Loan Payment	4,818	5,200	5,078	122
Interest	6,735	6,735	6,473	262
CDBG Home Grant	-	288,899	298,163	(9,264)
Total Park and Recreation Expenditures	<u>33,453</u>	<u>325,534</u>	<u>329,284</u>	<u>(3,750)</u>
Total Expenditures	<u>532,240</u>	<u>1,027,801</u>	<u>979,370</u>	<u>48,376</u>
Excess of Revenues over Expenditu	<u>422,932</u>	<u>(347,382)</u>	<u>(252,370)</u>	<u>94,957</u>
Other Financing Sources (Uses)				
Transfer to Other Governments	-	-	-	-
COVID 19 Grant	-	138,120	138,120	-
Local Gov DA Grant	-	25,206	25,206	-
Total Other Financing Sources and Uses	<u>-</u>	<u>163,326</u>	<u>163,326</u>	<u>-</u>
Net Change in Fund Balances	<u>422,932</u>	<u>(510,708)</u>	<u>(89,044)</u>	<u>94,957</u>
Fund Balance - Beginning			727,242	
Prior Period Adjustment			-	
Fund Balance - Ending			<u>\$ 638,198</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, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for Services:				
Sanitation Collection	\$ 117,000	\$ 117,000	\$106,989	\$ (10,011)
Other:				
Interest	28	28	331	303
Grant	-	-	-	-
Total Revenues	<u>117,028</u>	<u>117,028</u>	<u>107,320</u>	<u>(9,708)</u>
Expenditures				
Public Works:				
Salaries	25,000	25,000	25,275	(275)
Payroll Taxes	2,000	2,000	2,023	(23)
State Unemployment	550	550	378	172
Bank Charges	60	100	65	35
Postage	500	550	453	97
Publicity	-	150	133	17
Supplies	700	700	482	218
Repairs and Maintenance	2,500	7,000	6,088	912
Gas and Oil	2,000	7,300	7,218	82
CMFO	3,501	3,501	3,501	-
Annual Audit	840	975	233	742
Copier Lease	600	700	667	33
Employee Medical Expense	-	50	-	50
Insurance	3,900	4,900	4,849	51
Landfill	28,500	37,000	39,477	(2,477)
Solid Waste Expense	-	5,750	5,728	22
Interest	72	62	52	10
Computer	2,000	1,100	1,021	79
Capital Outlay	-	-	-	-
Total Expenditures	<u>72,723</u>	<u>97,388</u>	<u>97,643</u>	<u>(255)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>44,305</u>	<u>19,640</u>	<u>9,677</u>	<u>(9,963)</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>\$ 25,424</u>	<u>\$ 760</u>	<u>9,677</u>	<u>(28,843)</u>
Fund Balance - Beginning			<u>(31,903)</u>	
Fund Balance - Ending			<u>\$ (22,226)</u>	

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

STATEMENT OF NET POSITION-PROPRIETARY FUND
For the Year Ended June 30, 2022

	Water and Sewer Fund	Gas Fund	Total
<i>ASSETS</i>			
Current Assets:			
Cash	\$ 733,388	\$416,911	\$ 1,150,299
Cash in Bank - Customer Deposits	30,899	-	30,899
Cash in Bank - Laufayton	217	-	217
Cash in Bank - Bank Card Utilities	391,881	-	391,881
Certificate of Deposits - Unrestricted	71,582	-	71,582
Certificate of Deposits - Restricted	69,306	45,565	114,871
Accounts Receivable - Customers	71,731	4,921	76,652
Due From Other Funds	78,838	5,985	84,823
Advance to Solid Waste	116,505	-	116,505
Advance to General Fund	-	-	-
Grant Receivable	84,365	-	84,365
Total Current Assets	<u>\$ 1,648,712</u>	<u>\$ 473,382</u>	<u>\$ 2,122,094</u>
<i>NONCURRENT ASSETS</i>			
Land	85,616	-	85,616
Buildings	65,303	69,863	135,166
Plant and Equipment	6,366,789	344,002	6,710,791
Construction in Progress	1,802,117	-	1,802,117
Less: Accumulated Depreciation	<u>(3,806,285)</u>	<u>(379,589)</u>	<u>(4,185,874)</u>
Total Noncurrent Net Assets	<u>4,513,540</u>	<u>34,276</u>	<u>4,547,816</u>
Total Assets	<u><u>6,162,252</u></u>	<u><u>507,658</u></u>	<u><u>6,669,910</u></u>
<i>LIABILITIES</i>			
Current Liabilities:			
Accounts Payable	85,558	16,206	101,764
Bonds & Notes Payable - Current	11,936	-	11,936
Other Current Payables	3,713	335	4,048
Customer Deposits	14,084	-	14,084
Accrued Wages	1,153	1,438	2,591
Due to Other Funds	14,056	3,650	17,706
Due to Laufayton Energy Assistance	1,734	-	1,734
Total Current Liabilities	<u>132,234</u>	<u>21,629</u>	<u>153,863</u>
Noncurrent Liabilities:			
Bonds Payable	<u>375,630</u>	-	<u>375,630</u>
Total Noncurrent Liabilities	<u>375,630</u>	-	<u>375,630</u>
Total Liabilities	<u>507,864</u>	<u>21,629</u>	<u>529,493</u>

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

STATEMENT OF NET POSITION-PROPRIETARY FUND
For the Year Ended June 30, 2022
(Continued)

	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<i>NET POSITION</i>			
Net Investment in Capital Assets	4,125,974	34,276	4,160,250
Restricted and/or Pledged as Collateral	100,422	45,565	145,987
Unrestricted	<u>1,427,992</u>	<u>406,188</u>	<u>1,834,180</u>
Total Net Position	<u><u>5,654,388</u></u>	<u><u>486,029</u></u>	<u><u>6,140,417</u></u>

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

For the Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<i>Operating Revenues:</i>			
Charges	\$ 425,790	\$ 160,895	\$ 586,685
Penalties	19,458	-	19,458
Tap Fees	0	-	0
Service Fees	3,572	4,100	7,672
Miscellaneous Charges	2,968	-	2,968
Total Operating Revenues	451,788	164,995	616,783
<i>Operating Expenses:</i>			
Gas Purchase	-	109,483	109,483
Gas Consultant	-	5,883	5,883
Depreciation	205,899	11,369	217,268
PILOT	2,673	22,237	24,910
Salaries	46,705	31,609	78,314
Utilities	18,262	3,809	22,071
Security	806	-	806
Telephone	1,114	153	1,267
Internet	776	-	776
Postage	784	537	1,321
Dues	1,044	1,221	2,265
Publications	1,024	-	1,024
Other Fees	-	-	-
Leak Survey	-	2,077	2,077
Travel and Training	-	-	-
Employee Medical Expense	155	-	155
Repairs and Maintenance	50,999	20,659	71,658
Repairs and Maintenance - Vehicles	4,267	-	4,267
Supplies	14,454	1,035	15,489
Chemicals	7,831	-	7,831
Water Testing Fees	18,090	-	18,090
Equipment Rental	50	-	50
Rental of Office Equipment	364	-	364
Water - Copier	667	667	1,334
Uniforms	-	-	-
Gas, Oil, Diesel	722	2,230	2,952
Payroll Taxes	3,557	2,609	6,166
Unemployment Insurance	687	313	1,000

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, 2022*

	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
Insurance	\$26,844	\$4,031	\$30,875
Inspection fees	-	-	-
Professional Fees	741	1,804	2,545
CMFO Accounting	9,900	6,655	16,555
Annual Audit	3,733	525	4,258
Bank Charges	4,832	110	4,942
Computer Expense	1,021	1,021	2,042
Total Operating Expenses	<u>428,001</u>	<u>230,037</u>	<u>658,038</u>
Operating Income (loss)	<u>23,787</u>	<u>(65,042)</u>	<u>(41,255)</u>
<i>Nonoperating Revenues (Expenses):</i>			
Interest Income	1,632	654	2,286
Interest Expense	<u>(16,738)</u>	-	<u>(16,738)</u>
Total Nonoperating Revenues	<u>(15,106)</u>	<u>654</u>	<u>(14,452)</u>
Net Income (Loss) Before Contributions and Transf	8,681	(64,388)	(55,707)
Capital Contributions	<u>164,184</u>	-	<u>164,184</u>
Change in Net Position	172,865	(64,388)	108,477
Total Net Position - Beginning	5,481,523	550,417	6,031,940
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position - Ending	<u><u>\$5,654,388</u></u>	<u><u>\$486,029</u></u>	<u><u>\$6,140,417</u></u>

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

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended June 30, 2022

	<u>Water & Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Receipts from Customers	\$424,156	\$168,594	\$592,750
Payments to Suppliers	(116,237)	(176,153)	(292,390)
Payments to Employees	(50,828)	(34,746)	(85,574)
Net Cash Provided (Used) by Operating Activities	<u>257,091</u>	<u>(42,305)</u>	<u>214,786</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>			
Transfers From Other Funds	(73,161)	(1,652)	(74,813)
Transfers to Other Funds	3,681	954	4,635
Loan Transfer to Solid Waste	-	-	-
Principal Payments From Other Funds	15,744	-	15,744
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(53,736)</u>	<u>(698)</u>	<u>(54,434)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>			
Interest Expense	(16,738)	-	(16,738)
Grant (as adjusted))	93,906	-	93,906
Principal Payment - bonds & notes	(11,438)	-	(11,438)
Equipment Purchases/ Construction	(221,051)	-	(221,051)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(155,321)</u>	<u>-</u>	<u>(155,321)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Interest Received	1,632	600	2,232
Net Cash Provided (Used) by Investing Activities	<u>1,632</u>	<u>600</u>	<u>2,232</u>
Net Increase in Cash and Cash Equivalents	49,666	(42,403)	7,263
Cash and Cash Equivalents - Beginning of Year	<u>1,247,607</u>	<u>459,313</u>	<u>1,706,920</u>
Cash and Cash Equivalents - End of Year	<u><u>\$1,297,273</u></u>	<u><u>\$416,910</u></u>	<u><u>\$1,714,183</u></u>

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

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended June 30, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONG ACTIVITIES	<u>Water & Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
Operating Income	\$ 23,787	\$ (64,988)	\$ (41,201)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	205,899	11,369	217,268
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(27,633)	1,190	(26,443)
Increase (Decrease) in Account Payable	54,200	10,349	64,549
Increase (Decrease) in Customers deposits	(341)	-	(341)
Increase (Decrease in Accrued Wages	<u>1,182</u>	<u>(224)</u>	<u>958</u>
Net Cash Provided (Used) by Operating Income	<u>\$ 257,094</u>	<u>\$ (42,304)</u>	<u>\$ 214,790</u>

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

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2022**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, 2022**(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, 2022**(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, 2022**(Continued)***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****D. Assets, Liability, and Net Assets or Equity***Deposits and Investments (Continued)*

State statues 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, 2022**(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 that \$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' liver 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 - 50 years
Distribution plant	10 - 50 years	Buildings	50
Building improvements	20	Vehicles	5
Office equipment	5	System infrastructure	30
Public domain infrastructure	50		

Compensated Absences

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

- There in no comp time

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2022**(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, 2022

(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:

	<u>Cash</u>	<u>CDs (less than 3 months maturity)</u>
General Fund	\$ 699,857	\$ -
Solid Waste	81,082	-
Special Revenue Fund	36,407	-
Gas Fund	416,911	45,565
Water and Sewer Fund	<u>1,156,385</u>	<u>140,888</u>
	<u>\$ 2,390,642</u>	<u>\$ 186,453</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

(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	\$ 248,680			\$ 248,680
Accounts		14,784	76,653	91,437
Intergovernmental	-			-
Grant	9,265		84,365	93,630
State	9,284			9,284
Notes		-	116,507	116,507
Total Receivables	<u>\$ 267,229</u>	<u>\$ 14,784</u>	<u>\$ 277,525</u>	<u>\$ 559,538</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, 2022**(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, 2022 are as follows:

	<u>Principle</u>	<u>Interest</u>
2023	3,091	3,016
2024	3,225	2,882
2025	3,366	2,742
2026	3,438	2,668
2027 -2031	19,509	11,021
2032 - 2036	24,026	6,507
2037 - 2040	16,161	1,319
	<u>\$ 72,816</u>	<u>\$ 30,155</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, 2022 are as follows:

	<u>Principle</u>	<u>Interest</u>
2023	2,316	3,128
2024	2,420	3,025
2025	2,528	2,916
2026	2,640	2,804
2027 -2031	15,078	12,142
2032 -2036	18,758	8,462
2037 -2041	23,335	3,885
242	5,517	134
	<u>\$ 72,592</u>	<u>\$ 36,496</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022
(Continued)

NOTE 3 – DETAILED NOTES ON ALL FUNDS – continued

BONDS AND NOTES PAYABLE (Continued)

Proprietary Fund long-term debt at June 30, 2022 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, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 11,935	\$ 16,241
2024	12,453	15,724
2025	12,992	15,183
2026	13,556	
2027 - 2031	77,116	66,970
2032 - 2036	95,339	49,504
2037 - 2041	117,867	27,912
2042 - 2043	46,308	4,344
	<u>\$ 387,566</u>	<u>\$ 195,878</u>

SCHEDULE OF CHANGES IN LONG-TERM DEBTS

	<u>GENERAL FUND</u>		<u>PROPRIETARY FUNDS</u>	
	<u>97-06</u>	<u>97-08</u>	<u>91-04</u>	<u>Total</u>
Outstanding balance at 7/1/21	\$ 75,230	\$ 74,767	\$ 399,005	\$ 549,002
Add: additional loans	-	-	-	-
Less: Payments	<u>(2,414)</u>	<u>(2,175)</u>	<u>(11,439)</u>	<u>(16,028)</u>
Outstanding balance at 6/30/22	<u>\$ 72,816</u>	<u>\$ 72,592</u>	<u>\$ 387,566</u>	<u>\$ 532,974</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, 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	\$ 288,102	\$24,888	\$ -	\$ 312,990
Business-type Activities:	Beginning Balance	Additions	Decreases	Ending Balance
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	\$ 4,540,650	\$ 3,382	\$ -	\$ 4,544,032

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022
(Continued)

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

<u>Due From:</u>	<u>Due To:</u>	<u>Amount</u>
General	State Street Aid	4,604 =
Water and Sewer	Solid Waste	2,883 -
General Fund	Solid Waste	2,537 !!
Water and Sewer	Gas	5,985 **
Gas	General Fund	1,087 #
General	Water	76,275 @
Water and Sewer	General Fund	5,188 !
Solid Waste	General Fund	953 %
Gas	Water	2,563 !!!

- = General Fund owes SSA for state income
- Water owes Solid Waste for Credit Card Revenue received by Water.
- % Solid Waste owes General Fund for payroll and gass
- ** 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 deposited in the wrong account
- !!! 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>
2023	\$ 22,048	\$ 62
2024	18,909	43
2025	18,918	34
2026	18,928	24
2027	18,937	14
2028	<u>18,767</u>	<u>5</u>
	<u>\$ 116,507</u>	<u>\$ 182</u>

*NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended June 30, 2022*

(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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
General Fund	\$2,197.20	\$1,793.56		3,990.76
Solid Waste	\$989.92		\$32.26	957.66
Gas	1,661.92		\$224.26	1,437.66
Water and Sewer	<u>1,049.93</u>	<u>102.76</u>		<u>1,152.69</u>
Total Compensated Abs:	<u>\$5,898.97</u>	<u>\$1,896.32</u>	<u>\$256.52</u>	<u>\$7,538.77</u>

NOTE 8 – SUBSEQUENT EVENTS

The Town evaluated subsequent events through March 21, 2023, the date which the financial statements were available to be issued for potential recognition or disclosure in the financial statements. Management did not identify any items that should be disclosed.

NOTE 9 – 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022
(Continued)

NOTE 9 – INTERFUND LOANS (Continued)

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 7/1/2021	<u>Additions</u>	Retirement	Adjustment	Balance 6/30/2022
Solid Waste to Water & Sewer - Truck	<u>132,248</u>	-	<u>15,741</u>	-	<u>116,507</u>
TOTAL	<u><u>\$ 132,248</u></u>	\$ -	<u><u>\$ 15,741</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 116,507</u></u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURE OF FEDERAL, STATE AND LOCAL AWARDS
For the Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Type of Grant</u>	<u>Pass-Through Entity</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>Award Amount</u>	<u>(Accrued) or Deferred Revenue at June 30, 2021</u>	<u>Cash Receipts</u>	<u>Expenditures/ Revenue Recognized</u>	<u>(Accrued) or Deferred Revenue at June 30, 2022</u>
United State Department of Housing and Urban Development	Wastewater Improvement Grant	Tennessee Community Development	14.228	54304	1,784,000	14,088	93,907	164,184	84,365
CDBG Home Grant	Home Program	Tennessee Community Development	16-952	18-1080	500,000	-	230,214	298,163	67,949
Total HUD Grant					<u>\$ 1,784,000</u>	<u>\$ 14,088</u>	<u>\$ 93,907</u>	<u>\$ 164,184</u>	<u>\$ 84,365</u>
COVID - 19 Funds									
AARP					\$ 138,120	\$ -	\$ 138,120	\$ 13,187	\$ (124,933)
TN Direct Appropriations Grant					50,612	-	50,612	50,612	-
Total COVID 19 Relief Funds					<u>\$ 188,732</u>	<u>\$ -</u>	<u>\$ 188,732</u>	<u>\$ 63,799</u>	<u>\$ (124,933)</u>
Total Federal Awards					<u>\$ 1,972,732</u>	<u>\$ 14,088</u>	<u>\$ 282,639</u>	<u>\$ 227,983</u>	<u>\$ (40,568)</u>
State Grant									
TN Dept. of Commerce	Fire Gant	Tennessee Department of Commerce		73026-26	\$ 20,084	\$ -	\$ 20,084	\$ 20,084	\$ -
Total State Award					<u>\$ 20,084</u>	<u>\$ -</u>	<u>\$ 20,084</u>	<u>\$ 20,084</u>	<u>\$ -</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, 2022*

<u>Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Balance July 1, 2021</u>	<u>Additions & Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2022</u>
2022	2.1000	10,651,569	\$ -	\$ -	\$ -	\$ 223,674
2021	2.0446	9,191,089	187,921	-	170,330	17,591
2020	2.0446	9,010,748	16,844	-	8,939	7,905
2019	2.0446	8,282,241	5,881	-	5,881	-
2018	2.0446	8,282,241	1,330	-	1,330	-
2017	2.0446	9,565,245	2,157	-	2,157	-
2016	2.0446	8,155,679	-	-	-	-
2015	2.0446	11,329,948	-	-	-	-
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>\$ 214,133</u>	<u>\$ -</u>	<u>\$ 188,637</u>	<u>\$ 249,170</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, 2022

	Special Revenue		Total Nonmajor Governmental Funds
	State Street Aid	Drug Fund	
ASSETS			
Cash and Cash Equivalents	\$ 32,479	\$ 3,928	\$ 36,407
Receivables:			
Due from General Fund	4,604	-	4,604
Notes Receivable from General Fund	-	-	0
Accounts Receivable	2,674	-	2,674
Total Assets	<u>\$ 39,757</u>	<u>\$ 3,928</u>	<u>\$ 43,685</u>
LIABILITIES			
Accounts Payable	2,488	-	2,488
Due to Other Funds	-	-	-
Total Liabilities	<u>2,488.00</u>	<u>-</u>	<u>2,488</u>
FUND BALANCES			
Restricted Fund Balance:			
Highways and Streets	37,270	-	37,270
Law Enforcement	-	(3,928)	(3,928)
Total Fund Balance	<u>37,270</u>	<u>(3,928)</u>	<u>33,342</u>
Total Liabilities and Fund Balance	<u>\$ 39,758</u>	<u>\$ (3,928)</u>	<u>\$ 35,830</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2022

	Special Revenue		Total Nonmajor Governmental Funds
	State Street Aid	Drug Fund	
<i>Revenues</i>			
Interest	\$ 42	\$5.00	\$ 47
State of TN Gasoline Tax (940)	4,643	-	4,643
State of TN Motor Fuel (941)	16,098	-	16,098
State Gas Tax	2,506	-	2,506
State Gas Improvement	8,098	3,145	11,243
Total Revenues	<u>\$ 31,387</u>	<u>\$ 3,150</u>	<u>\$ 34,537</u>
<i>Expenditures</i>			
Current:			
Capital Outlay	-	3,100	3,100
Street Lights	25,208	-	25,208
Total Expenditures	<u>25,208</u>	<u>3,100</u>	<u>28,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,179</u>	<u>50</u>	<u>6,229</u>
<i>Other Financing Sources (Uses)</i>			
Transfer From General Fund	-	-	-
Transfer To General Fund	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	6,179	50	6,229
Fund Balance - Beginning	<u>31,090</u>	<u>3,878</u>	<u>34,968</u>
Fund Balance - Ending	<u>37,269</u>	<u>3,928</u>	<u>41,197</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, 2022

	State Street Aid			Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
Revenues				
Interest	\$ 11	\$ 40	\$ 42	\$ 2
State of TN Gasoline Tax (940)	4,500	4,500	4,643	143
State of TN Motor Fuel (941)	15,456	15,456	16,098	642
State Gas Tax (942)	2,400	2,400	2,506	106
State Gas Improvement	7,740	7,740	8,098	358
General Fund Repayment	-	-	-	-
Fines				
Total Revenues	<u>30,107</u>	<u>30,136</u>	<u>31,387</u>	<u>1,251</u>
Expenditures				
Current:				
Street Lights	28,000	28,000	25,208	2,792
Bank Charges	-	-	-	-
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>25,208</u>	<u>2,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,107</u>	<u>2,136</u>	<u>6,179</u>	<u>4,043</u>
Other Financing Sources (Uses)				
Transfer From General Fund	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>2,107</u>	<u>2,136</u>	6,179	<u>4,043</u>
Fund Balance - Beginning			<u>31,089</u>	
Fund Balance - Ending			<u>\$ 37,268</u>	

*DRUG FUND (SPECIAL REVENUE FUND – SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2022*

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines	\$ -	\$ -	\$3,145	\$ 3,145
Interest	-	3	5	2
Total Revenues	<u>-</u>	<u>3</u>	<u>3,150</u>	<u>3,145</u>
Expenditures				
Current:				
Capital outlay	-	-	3,100	(3,100)
Supplies	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>(3,100)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>3</u>	<u>50</u>	<u>45</u>
Other Financing Sources (Uses)				
Transfer From General Fund				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>3</u>	50	<u>45</u>
Fund Balance - Beginning			<u>3,878</u>	
Fund Balance - Ending			<u>\$3,928</u>	

SCHEDULE OF INVESTMENT – ALL FUNDS
For the Year Ended June 30, 2022

	<u>Government Fund</u>	<u>Proprietary Fund</u>
Cash	\$ 817,857	\$ 1,572,946
Certificate of Deposit	-	71,582
Restricted Certificate of Deposit	-	145,987
Total Investment	<u>\$ 817,857</u>	<u>\$ 1,790,515</u>

SCHEDULE OF UTILITY RATES IN FORCE
For the year ended June 30, 2022

<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, 2022

	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		-	76,000.00	-	-	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.

Status: All funds relating to this shortage have been repaid.

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 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.

Status: The court did not require repayment of this charge.

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 that of this report, the financial consultant has not paid any money back to the town.

Subsequent testing: There were noadditional unauthorized use form July 1, 2021 to June 30, 2022.

SCHEDULE OF CHANGES IN LONG-TERM DEBTS
For the Year Ended June 30, 2022

	<u>GENERAL FUND</u>		<u>PROPRIETARY FUNDS</u>	
	<u>97-06</u>	<u>97-08</u>	<u>91-04</u>	<u>Total</u>
Outstanding balance at 7/1/21	\$ 75,230	\$ 74,767	\$ 399,005	\$ 549,002
Add: additional loans	-	-	-	-
Less: Payments	<u>(2,414)</u>	<u>(2,175)</u>	<u>(11,439)</u>	<u>(16,028)</u>
Outstanding balance at 6/30/22	<u>\$ 72,816</u>	<u>\$ 72,592</u>	<u>\$ 387,566</u>	<u>\$ 532,974</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, 2022, 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) "*as a basis for designing*" audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town 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

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. 2022-001.

Compliance and Other Matters

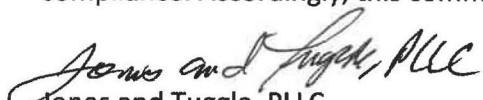
As part of obtaining reasonable assurance about whether the Town of Henning, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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. 2022-001, 2022-002, 2022-003 and 2022-004.

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 subject 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, 2022**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
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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022*

Finding No. 2022-001 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.

*STATUS OF PRIOR YEAR FINDINGS**For the Year Ended June 30, 2022**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 Town has established a purchasing policy and is awaiting the approval from the board of aldermen.

Finding No. 2022-3 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: There was no additional cash shortage or overage noted during the current year. A total of \$2,237.74 was repaid from the previous mayor.

MARK MASSONGILL

TOWN OF HENNING

MARTHA MORGAN

BARBARA MANNIS

260 N. MAIN

DWAN ANDERSON

CARSTELLA DOUGLAS

HENNING, TENNESSEE 38041

DEBORAH TAYLOR

(731)738-2997

QUENTON REED, MAYOR

TOWN OF HENNING, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COST/CORRECTIVE ACTION

For the Year Ended June 30, 2022

Finding No. 2022-001 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.

X Quenton Reed

Quenton Reed
Mayor