

TOWN OF HENNING, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

INTRODUCTORY

SECTION

TOWN OF HENNING
 FINANCIAL STATEMENTS
 For the year ended June 30, 2011

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TOWN OF HENNING
FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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TOWN OF HENNING, TENNESSEE
ROSTER OF PUBLICLY ELECTED OFFICIALS
June 30, 2011

Michael Bursey	Mayor
Deborah Taylor	Vice Mayor
Jerry Holland	Alderman
Theelma Winbush	Alderman
Charles Culbreath	Alderman
Marvin Montgomery	Alderman
Ella Weber	Alderman

FINANCIAL

SECTION

William M. Harmon

Certified Public Accountant

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Independent Auditor's Report

Honorable Michael Bursey, Mayor and
Members of the Board of Aldermen
Town of Henning, Tennessee

I 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, 2011, which collectively comprise the Town of Henning, Tennessee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

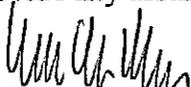
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henning, Tennessee as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flow thereof, and the respective budgetary comparison for the General Fund and the Solid Waste Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated January 2, 2012, on my consideration of the Town of Henning, Tennessee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that

report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section and the other supplementary information section are presented for the purposes of additional analysis and are not a required part of the financial statements. The other supplementary information, except for that portion marked "unaudited", 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. The 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the other supplementary information marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.


William M. Harmon
Certified Public Accountant

January 2, 2012

Management's 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 fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in this report.

Financial Highlights

- The assets of the Town of Henning exceeded its liabilities at the close of the 2011 fiscal year by \$3,401,515 (net assets). Of this amount \$857,189.71 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$30,970.28.
- As of the close of the current fiscal year, the Town of Henning's Governmental Funds reported combined ending fund balances of \$66,960.30, a decrease of \$75,141.53 in comparison with the prior year. Approximately \$0 of this amount is available for spending at the Town's discretion (Unrestricted fund balance).

Overview of the Financial Statements

This discussion and analysis is 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 assets* presents information on all of the Town of Henning's assets and liabilities, with the difference between the two reported as net assets. Over time increases or 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 assets 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).

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.

The government-wide financial statements are found on pages 14 and 15 of this report.

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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as balances of spend-able 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 this 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. A budgetary comparison statement for the general fund is presented on page 21. Budgetary comparison statements for the other three governmental funds are presented, beginning on page 43.

The basic governmental fund financial statements can be found on pages 18 through 23.

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 fund and the water and sewer fund, both of which are considered to be major funds of the Town of Henning.

The basic proprietary fund financial statements are found on pages 25 through 27 of this report.

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. The notes to the financial statement begin on page 28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$3,401,515 at the close of the fiscal year, June 30, 2011.

The largest portion of the net assets 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 assets of the Town's governmental and business-type activities. Table 2 focuses on the changes in net assets of the Town's governmental and business-type activities.

Total net assets of the government decreased by \$30,970.28 or 1%. Total net assets of the governmental activities decreased by \$39,017 and the business-type activities increased by \$8,047.

Table 1 - Net Assets

	Governmental Activities		Business-type activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current/Other Assets	\$ 393,695.37	\$ 354,603.97	\$ 1,040,481.10	\$ 1,170,596.67	\$ 1,434,176.47	\$ 1,525,200.64
Capital Assets	455,287.00	490,890.00	2,774,534.67	2,636,243.51	3,229,821.67	3,127,133.51
Total Assets	\$ 848,982.37	\$ 845,493.97	\$ 3,815,015.77	\$ 3,806,840.18	\$ 4,663,998.14	\$ 4,652,334.15
Long-Term Debt Outstanding	\$ 193,269.00	\$ 190,413.40	\$ 746,633.57	\$ 731,583.00	\$ 939,902.57	\$ 921,995.40
Other Liabilities	\$ 251,593.54	\$ 289,977.67	\$ 40,016.75	\$ 38,845.08	\$ 291,610.29	\$ 328,822.75
Total Liabilities	\$ 444,862.54	\$ 480,391.07	\$ 786,650.32	\$ 770,428.08	\$ 1,231,512.86	\$ 1,250,819.15
Net Assets						
Invested in capital assets (net of debt)	\$ 262,018.00	\$ 300,476.60	\$ 2,027,901.10	\$ 1,904,660.51	\$ 2,289,919.10	\$ 2,205,137.11
Restricted assets	\$ 39,289.60	\$ 84,358.81	\$ 251,484.50	\$ 254,829.37	\$ 290,774.10	\$ 339,188.18
Unrestricted assets	\$ 102,812.23	\$ -19,732.51	\$ 748,979.85	\$ 876,922.22	\$ 851,792.08	\$ 857,189.71
Total Net Assets	\$ 404,119.83	\$ 365,102.90	\$ 3,028,365.45	\$ 3,035,412.10	\$ 3,432,485.28	\$ 3,401,515.00

The Town's total revenues increased by approximately \$64,648.80 or 4%. Total cost of all services and programs decreased by approximately \$10,297.79 or 1%. The Town's revenue increased in the general fund due to an increase in the amount of grants received, therefore, expenses increased.

Table 2 - Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for Service	\$ 178,532.04	\$ 205,030.74	\$ 509,343.49	\$ 493,448.75	\$ 687,875.53	\$ 698,479.49
Grants/Contributions	137,370.63	247,759.35	64,223.48	37,952.12	201,594.11	285,711.47
General Revenues						
Taxes	382,949.66	355,239.47	-	-	382,949.66	355,239.47
Other General Revenue	91.68	53.36	4,111.15	1,787.14	4,202.83	1,840.50
Total Revenues	\$ 698,944.01	\$ 808,082.92	\$ 577,678.12	\$ 533,188.01	\$ 1,276,622.13	\$ 1,341,270.93
Expenses						
General Government	\$ 242,400.72	\$ 215,870.11	\$ -	\$ -	\$ 242,400.72	\$ 215,870.11
Public Safety	224,832.06	238,285.05	-	-	224,832.06	238,285.05
Highways/Streets	204,074.96	224,634.74	-	-	204,074.96	224,634.74
Culture/Recreation	128,827.58	168,309.95	-	-	128,827.58	168,309.95
Interest on LT Debt	-	-	-	-	-	-
Water/Sewer	-	-	383,168.24	327,684.91	383,168.24	327,684.91
Gas	-	-	199,235.44	197,456.45	199,235.44	197,456.45
Total Expenses	\$ 800,135.32	\$ 847,099.85	\$ 582,403.68	\$ 525,141.36	\$ 1,382,539.00	\$ 1,372,241.21
Increase (decrease) in Net Assets	\$ (101,191.31)	\$ (39,016.93)	\$ (4,725.56)	\$ 8,046.65	\$ (105,916.87)	\$ (30,970.28)

Governmental Activities

Revenues for governmental activities increased by \$109,138.91 or 13%. This increase is primarily due to grants being received. Total expenses increased by \$46,964.53 or 5%.

Business-Type Activities

Water & Sewer Fund –

- Total net assets decreased during the current fiscal year by \$16,990.98.
- Total operating income increased by \$62,629.49 due to a 3% increase in water rates.

Gas Fund –

- Total net assets decreased during the current fiscal year by \$4,128.77 due to a decrease in gas rates.

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 *spend-able* resources. Such information is useful in assessing the Town of Henning's financing requirements. In particular, *unreserved 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 \$66,960.30 or a decrease of approximately \$75,141.53. Of this combined fund balance, approximately \$0 is the *unrestricted fund balance*, which means none is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed or is restricted in the way it may be spent.

The general fund is the chief operating fund of the Town of Henning. At June 30, 2011, the unreserved fund balance in the general fund was \$0. General fund expenditures increased by \$88,272.55 when compared to the prior fiscal year due primarily to the purchase of air conditioning units bought for Palmer Turner Center.

Budgetary highlights – Total general fund revenues exceeded budgeted revenues by \$2,157.02. Total general fund expenses exceeded budgeted expenses by \$13,712.78.

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 detail.

Unrestricted net assets in the water & sewer fund and gas fund at June 30, 2011 were \$463,591.57 and \$413,330.65 respectively.

Capital Assets and Debt Administration

Capital Assets

Table 3 - Capital Assets at June 30, 2010
Capital Assets at Year-End
Net of depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Land	\$ 20,000.00	\$ 20,000.00	\$ 85,616.24	\$ 85,616.24	\$ 105,616.24	\$ 105,616.24
Buildings/System	435,287.00	470,890.00	2,688,918.43	2,550,627.51	3,124,205.43	3,021,517.51
Total	\$ 455,287.00	\$ 490,890.00	\$ 2,774,534.67	\$ 2,636,243.75	\$ 3,229,821.67	\$ 3,127,133.75

Capital assets (net of accumulated depreciation) used in governmental activities increased approximately \$35,603 and capital assets (net of accumulated depreciation) used in business-type activities decreased approximately \$138,290.92 in the current fiscal year compared to the previous fiscal year.

Long Term Debt

Table 4 - General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
General Obligation Bonds	\$ 193,269.00	\$ 190,413.40	\$ -	\$ -	\$ 193,269.00	\$ 190,413.40
Revenue Bonds	-	-	746,633.00	731,583.00	746,633.00	731,583.00
Long Term Notes Payable	-	-	-	-	-	-
Total	\$ 193,269.00	\$ 190,413.40	\$ 746,633.00	\$ 731,583.00	\$ 939,902.00	\$ 921,996.40

At June 30, 2011, the Town of Henning had total debt of \$921,996.40.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2011 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, customers, investors, and creditors with a general overview of the Town's finances and to show 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, Henning, P.O. Box 488, Tennessee 38041.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF HENNING, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Primary Government Business-Type Activities	Total
ASSETS			
Cash - Unrestricted	\$ 46,606.87	665,660.53	\$ 712,267.40
Certificates of Deposit-Unrestricted	-	68,969.64	68,969.64
Accounts Receivable - Customers	-	31,406.70	31,406.70
Accounts Receivable - Other	9,527.07	-	9,527.07
Grant	55,150.00	-	55,150.00
Due from DSCC	-	-	-
Due from Other	(149,730.43)	149,730.43	-
Prepaid	1,177.06	-	1,177.06
Inventory - Diesel	17,624.10	-	17,624.10
Property Tax Receivable - Current	209,549.00	-	209,549.00
Property Tax Receivable - Prior	147,770.00	-	147,770.00
Uncollectible Receivable	(69,757.00)	-	(69,757.00)
Restricted Assets:			
Cash - Restricted	86,687.30	106,035.70	192,723.00
Certificate of Deposit	-	148,793.67	148,793.67
Capital Assets (net of accumulated depreciation)			
Land	20,000.00	85,616.24	105,616.24
Buildings and System	470,890.00	2,550,627.27	3,021,517.27
Total Assets	<u>\$ 845,493.97</u>	<u>\$ 3,806,840.18</u>	<u>\$ 4,652,334.15</u>
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 38,734.67	\$ 34,807.26	\$ 73,541.93
Accrued Salaries	-	4,037.82	4,037.82
Deferred Property Tax	251,243.00	-	251,243.00
Total Current Liabilities	<u>289,977.67</u>	<u>38,845.08</u>	<u>328,822.75</u>
Noncurrent liabilities:			
Due within one year	3,359.23	20,265.00	23,624.23
Due in more than one year	187,054.17	711,318.00	898,372.17
Total Noncurrent Liabilities	<u>190,413.40</u>	<u>731,583.00</u>	<u>921,996.40</u>
Total Liabilities	<u>\$ 480,391.07</u>	<u>\$ 770,428.08</u>	<u>\$ 1,250,819.15</u>
NET ASSETS			
Invested in capital assets (net of related debt)	\$ 300,476.60	1,904,660.51	2,205,137.11
Restricted for:			
Palmer Turner Renovations	44,975.56	-	44,975.56
Heritage Museum	2,883.97	-	2,883.97
Street Aid	35,836.00	-	35,836.00
Drug Fund	663.28	-	663.28
Meters	-	9,205.18	9,205.18
Special Projects	-	27,860.88	27,860.88
Certificate of Deposits-Meter	-	68,969.64	68,969.64
Certificate of Deposits-Gas	-	148,793.67	148,793.67
Unrestricted	(19,732.51)	876,922.22	857,189.71
Total Net Assets	<u>\$ 365,102.90</u>	<u>\$ 3,036,412.10</u>	<u>\$ 3,401,515.00</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Government Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities							
General Government	\$ 215,870.11	\$ 4,090.89	\$ -	\$ -	\$ (211,779.22)	\$ -	\$ (211,779.22)
Public safety	238,285.05	48,225.36	3,000.00	-	(187,059.69)	-	(187,059.69)
Highways and streets	224,634.74	120,787.46	52,116.29	-	(51,730.99)	-	(51,730.99)
Parks and Recreation	168,309.95	6,505.67	114,878.06	77,765.00	30,838.78	-	30,838.78
Miscellaneous	-	25,421.36	-	-	25,421.36	-	25,421.36
Total Governmental activities	\$ 847,099.85	\$ 205,030.74	\$ 169,994.35	\$ 77,765.00	\$ (394,309.76)	\$ 0.00	\$ (394,309.76)
Business-Type activities							
Water and Sewer	\$ 327,684.91	\$ 304,870.52	\$ 11,334.60	\$ 2,551.70	\$ -	\$ (8,928.09)	\$ (8,928.09)
Gas	197,456.45	188,578.23	24,065.82	-	-	15,187.60	15,187.60
Total Business-Type activities	\$ 525,141.36	\$ 493,448.75	\$ 35,400.42	\$ 2,551.70	\$ 0.00	\$ 6,259.51	\$ 6,259.51
Total primary government	\$ 1,372,241.21	\$ 698,479.49	\$ 205,394.77	\$ 80,316.70	\$ (394,309.76)	\$ 6,259.51	\$ (388,050.25)
General Revenue							
Taxes							
Property Taxes - Levied for General Purposes					\$ 159,754.93	\$ -	\$ 159,754.93
Sales Taxes					123,547.74	-	123,547.74
Beer Taxes					26,941.78	-	26,941.78
Franchise & Excise Taxes					3,519.03	-	3,519.03
Business Tax					4,031.42	-	4,031.42
Public Service Taxes					15,345.82	-	15,345.82
Payments in Lieu of Tax					19,302.53	-	19,302.53
Other Taxes					2,796.22	-	2,796.22
Unrestricted Investment Earnings					53.36	1,787.14	1,840.50
Miscellaneous					-	-	-
Total General Revenue					\$ 355,292.83	\$ 1,787.14	\$ 357,079.97
Change in Net Assets					\$ (39,016.93)	\$ 8,046.65	\$ (30,970.28)
Net Assets - Beginning					404,119.83	3,028,365.45	3,432,485.28
Prior Period Adjustment (See Note L)					-	-	-
Net Assets - Ending					\$ 365,102.90	\$ 3,036,412.10	\$ 3,401,515.00

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

TOWN OF HENNING, TENNESSEE
Balance Sheet - Governmental Funds
June 30, 2011

<u>ASSETS</u>	GENERAL FUND	SOLID WASTE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash - Unrestricted	\$ 46,606.87	\$ -	\$ -	\$ 46,606.87
Cash - Restricted	47,859.53	5,061.14	33,766.63	86,687.30
Accounts Receivable	-	-	-	-
Inventory of Gasoline	-	-	-	-
Inventory of Diesel	17,624.10	-	-	17,624.10
Property Tax Receivable - Current	209,549.00	-	-	209,549.00
Property Tax Receivable - Prior	147,770.00	-	-	147,770.00
Uncollectible Receivables	(69,757.00)	-	-	(69,757.00)
Other Receivables	-	9,527.07	-	9,527.07
Due from Other Funds	-	-	2,732.65	2,732.65
Grant	55,150.00	-	-	55,150.00
Prepaid	1,177.06	-	-	1,177.06
TOTAL ASSETS	\$ 455,979.56	\$ 14,588.21	\$ 36,499.28	\$ 507,067.05

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>				
Accounts Payable	\$ 33,830.48	\$ -	\$ -	\$ 33,830.48
Other Payables	2,350.23	202.10	-	2,552.33
Accrued Interest	-	-	-	-
Accrued Salaries	-	-	-	-
Due to Other Funds	127,463.08	25,000.00	-	152,463.08
Deferred Revenue - Property Taxes	251,243.00	-	-	251,243.00
TOTAL LIABILITIES	\$ 414,886.79	\$ 25,202.10	\$ -	\$ 440,088.89

FUND BALANCES

Nonspendable Fund Balance:				
Inventory	17,624.10	-	-	17,624.10
Restricted Fund Balance				
Parks & Recreation	44,975.56	-	-	44,975.56
Highways & Streets	-	-	35,836.00	35,836.00
Law Enforcement	-	-	663.28	663.28
Committed to:				
Heritage Museum	2,883.97	-	-	2,883.97
Unassigned	(24,390.86)	(10,613.89)	-	(35,004.75)
TOTAL FUND BALANCES	\$ 41,092.77	\$ (10,613.89)	\$ 36,499.28	\$ 66,978.16

TOTAL LIABILITIES AND FUND BALANCES \$ 455,979.56 \$ 14,588.21 \$ 36,499.28

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	\$ 490,890.00
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	0.00
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(192,765.26)

Net assets of governmental activities \$ 365,102.90

TOWN OF HIENNING, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund Types
For the year ended June 30, 2011

	GENERAL FUND	SOLID WASTE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Current Property Tax	\$ 152,543.68	\$ -	\$ -	\$ 152,543.68
Public Utility Tax	15,345.82	-	-	15,345.82
Property Tax Penalty & Interest	7,211.25	-	-	7,211.25
Payment in lieu of tax - Ripley P&L	5,595.36	-	-	5,595.36
Local Sales Tax	42,948.84	-	-	42,948.84
Wholesale Beer Tax	26,624.93	-	-	26,624.93
Business Tax	4,031.42	-	-	4,031.42
Cable Franchise Fee	2,239.99	-	-	2,239.99
Beer Applications	400.00	-	-	400.00
Building Permits	1,142.00	-	-	1,142.00
Payment in lieu of tax - TVA	13,707.17	-	-	13,707.17
State Sales Tax	80,598.90	-	-	80,598.90
State Income Tax	83.71	-	-	83.71
State Beer Tax	316.85	-	-	316.85
State Street & Transportation Tax	2,614.28	-	-	2,614.28
Excise Tax	1,279.04	-	-	1,279.04
Sales Partnership 2010	17.86	-	-	17.86
Telecommunications	98.23	-	-	98.23
Charges for Service	-	120,787.46	-	120,787.46
Fines	43,483.35	-	526.13	44,009.48
Police Department Donations	1,000.00	-	-	1,000.00
Job Recovery	114,878.06	-	-	114,878.06
Fire Department Collection	500.00	-	-	500.00
Seized Vehicles	350.00	-	-	350.00
Police Salary Supplement	2,365.88	-	-	2,365.88
Interest Earnings	30.51	6.77	16.08	53.36
Restoration Fee - John Laton	772.94	-	-	772.94
Palmer Turner Center Rent	261.36	-	-	261.36
Donations - Palmer Turner Center	1,520.00	-	-	1,520.00
Palmer Turner Coke Machine	985.40	-	-	985.40
Sale of Property	2,548.89	-	-	2,548.89
FEMA	16,102.61	-	-	16,102.61
Summer Food Program	3,738.91	-	-	3,738.91
Rural Development Grant/Loan	77,765.00	-	-	77,765.00
Grant - Fire	3,000.00	-	-	3,000.00
Miscellaneous	24,648.42	-	-	24,648.42
State of TN Gasoline Tax (940)	-	-	22,776.26	22,776.26
State of TN Motor Fuel (941)	-	-	12,880.88	12,880.88
State Gas Tax (942)	-	-	356.54	356.54
TOTAL REVENUES	\$ 650,750.66	\$ 120,794.23	\$ 36,555.89	\$ 808,100.78
EXPENDITURES				
Administration	\$ 207,247.98	\$ -	\$ -	\$ 207,247.98
Police Department	210,771.46	-	1,896.90	212,668.36
Fire Department	17,536.59	-	-	17,536.59
Street Department	34,900.10	156,422.11	29,956.53	221,278.74
Park and Recreation	224,492.78	-	-	224,492.78
TOTAL EXPENDITURES	\$ 694,948.91	\$ 156,422.11	\$ 31,853.43	\$ 883,224.45
Excess (deficiency) of revenues over (under) expenditures	(44,198.25)	(35,627.88)	4,702.46	(75,123.67)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 6,345.39	\$ -	\$ 6,345.39
Transfers Out	6,345.39	-	-	6,345.39
TOTAL OTHER FINANCING SOURCES (USES)	\$ 6,345.39	\$ 6,345.39	\$ -	\$ -
NET CHANGE IN FUND BALANCES	\$ (50,543.64)	\$ (29,282.49)	\$ 4,702.46	\$ (75,123.67)
FUND BALANCE - Beginning	91,636.41	18,668.60	31,796.82	142,101.83
Prior Period Adjustment - Note L	\$ -	\$ -	\$ -	\$ -
FUND BALANCE - Ending	\$ 41,092.77	\$ (10,613.89)	\$ 36,499.28	\$ 66,978.16

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING
 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, 2011

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net Change in Fund Balances - total governmental funds (page 19) \$ (75,123.67)

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 depreciation expense. This is the amount by which capital outlays were over/ (under) depreciation in the current period.

Acquisition of Capital Assets	\$ 88,356.25	
Depreciation Expense	<u>(52,753.00)</u>	35,603.25

The issuance of long-term debt (e.g., bonds, leases) 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 debt and related items.

2,855.48

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences (2,351.99)

Change in net assets of governmental activities (See page 15) \$ (39,016.93)

TOWN OF HENNING, TENNESSEE
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - Year Ended June 30, 2011

REVENUES	Budgeted Amounts		Actual	Variance w/Final Budget-Favorable (Unfavorable)
	Original	Final		
Current Property Tax	\$ 190,000.00	\$ 190,000.00	\$ 152,543.68	\$ (37,456.32)
Property Tax - Prior	-	-	-	-
Public Utility Tax	16,000.00	16,000.00	15,345.82	(654.18)
Property Tax Penalty & Interest	10,000.00	10,000.00	7,211.25	(2,788.75)
Payment in lieu of tax - Ripley P&L	7,000.00	7,000.00	5,595.36	(1,404.64)
Payment in lieu of tax - TVA	10,000.00	10,000.00	13,707.17	3,707.17
Local Sales Tax	43,000.00	43,000.00	42,948.84	(51.16)
Wholesale Beer Tax	26,500.00	26,500.00	26,624.93	124.93
Business Tax	1,500.00	1,500.00	4,031.42	2,531.42
Cable Franchise Fee	2,000.00	2,000.00	2,239.99	239.99
Beer Applications	1,000.00	1,000.00	400.00	(600.00)
Building Permits	100.00	100.00	1,142.00	1,042.00
State Sales Tax	77,000.00	77,000.00	80,598.90	3,598.90
State Income Tax	150.00	150.00	83.71	(66.29)
State Beer Tax	200.00	200.00	316.85	116.85
State Street & Transportation Tax	2,000.00	2,000.00	2,614.28	614.28
Excise Tax	5,000.00	5,000.00	1,279.04	(3,720.96)
Sales Partnership 2010	-	-	17.86	17.86
Telecommunications	20.00	20.00	98.23	78.23
Clerks Fee	100.00	100.00	-	(100.00)
Fines	71,000.00	71,000.00	43,483.35	(27,516.65)
Police Department Donations	-	-	1,000.00	1,000.00
Job Recovery	108,000.00	108,000.00	114,878.06	6,878.06
Seized Vehicles	-	-	350.00	350.00
Police Salary Supplement	1,200.00	1,200.00	2,365.88	1,165.88
Highway Safety Grant	500.00	500.00	-	(500.00)
Fire Department Collection	-	-	500.00	500.00
Interest Earnings	50.00	50.00	30.51	(19.49)
Sale of Property	15,000.00	15,000.00	2,548.89	(12,451.11)
Restoration Fee	200.00	200.00	772.94	572.94
Palmer Turner Center Rent	250.00	250.00	261.36	11.36
Donations - Palmer Turner Center	1,500.00	1,500.00	1,520.00	20.00
Palmer Turner Coke Machine	-	-	985.40	985.40
Palmer Turner Grant	100,000.00	100,000.00	-	(100,000.00)
Summer Food Program	-	-	3,738.91	3,738.91
Miscellaneous	20,000.00	20,000.00	24,648.42	4,648.42
FEMA	-	-	16,102.61	16,102.61
Rural Development Grant/Loan	-	-	77,765.00	77,765.00
Fire Grant	-	-	3,000.00	3,000.00
TOTAL REVENUES	\$ 709,270.00	\$ 709,270.00	\$ 650,750.66	\$ (58,519.34)

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance w/Final Budget-Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
ADMINISTRATION:				
Mayor and Aldermen Salaries	\$ 35,000.00	\$ 35,000.00	\$ 33,260.00	\$ 1,740.00
City Attorney	3,600.00	3,600.00	3,937.00	(337.00)
Judge	7,200.00	7,200.00	7,800.00	(600.00)
Job Recovery Salaries	13,000.00	13,000.00	25,635.56	(12,635.56)
City Clerk	35,000.00	35,000.00	29,188.40	5,811.60
Planning Committee	-	-	700.00	(700.00)
Payroll Taxes	6,500.00	6,500.00	4,875.54	1,624.46
Workmen's Compensation Insurance	-	-	125.66	(125.66)
Unemployment Insurance	1,000.00	1,000.00	2,889.65	(1,889.65)
State Litigation Tax	1,400.00	1,400.00	1,409.24	(9.24)
Business Tax	4,000.00	4,000.00	135.50	3,864.50
Taxes	300.00	300.00	233.88	66.12
Postage	1,000.00	1,000.00	1,466.67	(466.67)
911 Dispatch	10,000.00	10,000.00	10,000.00	-
Public Notice	2,500.00	2,500.00	2,910.38	(410.38)
Donations	200.00	200.00	-	200.00
Membership Dues	5,000.00	5,000.00	4,216.11	783.89
Utilities	25,000.00	25,000.00	16,822.99	8,177.01
Legal/Accounting	15,900.00	15,900.00	14,400.00	1,500.00
Travel	1,100.00	1,100.00	383.89	716.11
Employee Medical Expense	125.00	125.00	623.00	(498.00)
Education	500.00	500.00	-	500.00
Miscellaneous	2,500.00	2,500.00	12.00	2,488.00
Office Supplies	30.00	30.00	-	30.00
Copier Lease	4,200.00	4,200.00	3,802.79	397.21
Supplies	7,000.00	7,000.00	15,864.68	(8,864.68)
Bank Charges	200.00	200.00	-	200.00
City Hall Repairs	3,000.00	3,000.00	2,120.59	879.41
Insurance	11,000.00	11,000.00	13,503.36	(2,503.36)
Local Planning Assistance	5,250.00	5,250.00	5,250.00	-
Computer Maintenance	2,500.00	2,500.00	3,348.18	(848.18)
Mayor- Gas & Oil	100.00	100.00	107.91	(7.91)
Building Inspector Salary	5,200.00	5,200.00	500.00	4,700.00
Building Inspector - Miscellaneous	100.00	100.00	0.00	100.00
Capital Outlay	-	-	1,725.00	(1,725.00)
Total Administration Expenditures	\$ 209,405.00	\$ 209,405.00	\$ 207,247.98	\$ 2,157.02
POLICE DEPARTMENT				
Salaries	\$ 145,000.00	\$ 145,000.00	\$ 138,315.05	\$ 6,684.95
Animal Control Supplies	1,200.00	1,200.00	-	1,200.00
Payroll Taxes	11,000.00	11,000.00	14,386.44	(3,386.44)
Police Bank Charges	100.00	100.00	22.88	77.12
Advertising	200.00	200.00	-	200.00
Utilities	300.00	300.00	1,100.21	(800.21)
TIBRS	-	-	600.00	(600.00)
Travel	500.00	500.00	2,500.00	(2,000.00)
Supplies	2,000.00	2,000.00	12,522.25	(10,522.25)
In Service Training	250.00	250.00	50.00	200.00
Employee Medical Expense	1,000.00	1,000.00	1,396.00	(396.00)
Repair/Maintenance-Vehicles	12,000.00	12,000.00	2,906.64	9,093.36
Repair/Maintenance	500.00	500.00	1,390.71	(890.71)
Uniforms	1,000.00	1,000.00	1,724.94	(724.94)
Towing	200.00	200.00	125.00	75.00
Insurance	17,000.00	17,000.00	20,214.44	(3,214.44)
Gas/Oil	13,500.00	13,500.00	13,516.90	(16.90)
Miscellaneous	500.00	500.00	-	500.00
Capital Outlay	-	-	-	-
Total Police Department Expenditures	\$ 206,250.00	\$ 206,250.00	\$ 210,771.46	\$ (4,521.46)

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance w/Final Budget-Favorable (Unfavorable)
	Original	Final		
FIRE DEPARTMENT				
Salaries	\$ 4,000.00	\$ 4,000.00	\$ 3,461.25	\$ 538.75
Interest Expense	-	-	-	-
Utilities	2,500.00	2,500.00	3,351.47	(851.47)
Travel & Training	500.00	500.00	-	500.00
Supplies	2,000.00	2,000.00	353.54	1,646.46
Repair/Maintenance	2,000.00	2,000.00	1,347.74	652.26
Gas/Oil	500.00	500.00	883.84	(383.84)
Insurance	7,500.00	7,500.00	8,138.75	(638.75)
Miscellaneous	400.00	400.00	-	400.00
Capital Outlay	-	-	-	-
Total Fire Department Expenditures	\$ 19,400.00	\$ 19,400.00	\$ 17,536.59	\$ 1,863.41
STREET DEPARTMENT				
Salaries	\$ 11,050.00	\$ 11,050.00	\$ 11,041.76	\$ 8.24
Payroll Taxes	846.00	846.00	918.67	(72.67)
Supplies	500.00	500.00	1,711.42	(1,211.42)
Repair/Maintenance	1,000.00	1,000.00	6,438.14	(5,438.14)
Gas/Oil/Diesel	3,600.00	3,600.00	2,020.11	1,579.89
Insurance	1,500.00	1,500.00	870.00	630.00
Bridge Grant	-	-	11,900.00	(11,900.00)
Total Street Department Expenditures	\$ 18,496.00	\$ 18,496.00	\$ 34,900.10	\$ (16,404.10)
PARK AND RECREATION				
Salaries	\$ 82,155.00	\$ 82,155.00	\$ 76,884.04	\$ 5,270.96
OASI	6,300.00	6,300.00	6,261.65	38.35
Unemployment Insurance	-	-	88.38	(88.38)
Advertising	50.00	50.00	-	50.00
Utilities	5,000.00	5,000.00	16,941.92	(11,941.92)
Travel	75.00	75.00	10.00	65.00
Employee Medical Expense	-	-	640.50	(640.50)
Supplies	2,500.00	2,500.00	10,452.19	(7,952.19)
Uniforms	-	-	-	-
Repairs/Maintenance	100,000.00	100,000.00	1,645.82	98,354.18
Insurance	2,800.00	2,800.00	3,226.50	(426.50)
Loan Payment	3,500.00	3,500.00	2,855.48	644.52
Interest	8,200.00	8,200.00	8,695.52	(495.52)
Bank Charges	100.00	100.00	185.27	(85.27)
Nutrition Program	-	-	4,166.46	(4,166.46)
Professional Fees	-	-	3,750.00	(3,750.00)
Palmer Turner Improvements	-	-	3,000.00	(3,000.00)
CDBG Home Grants	-	-	279.70	(279.70)
Miscellaneous	100.00	100.00	-	100.00
Capital Outlay	-	-	85,409.35	(85,409.35)
Total Park and Recreation Department Expenditures	\$ 210,780.00	\$ 210,780.00	\$ 224,492.78	\$ (13,712.78)
TOTAL EXPENDITURES	\$ 664,331.00	\$ 664,331.00	\$ 694,948.91	\$ (30,617.91)
Excess of Revenues of Expenditures	44,939.00	44,939.00	(44,198.25)	(27,901.43)
OTHER NON DEPARTMENTAL FINANCING SOURCES (USES)				
Transfer to Other Governments	\$ 25,000.00	\$ 25,000.00	\$ 6,345.39	\$ (18,654.61)
	\$ 25,000.00	\$ 25,000.00	\$ 6,345.39	\$ (18,654.61)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 19,939.00	\$ 19,939.00	\$ (50,543.64)	\$ (70,482.64)
FUND BALANCE - Beginning			\$ 91,636.41	
Prior Period Adjustment - Note			-	
FUND BALANCE - Ending			\$ 41,092.77	

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING
Solid Waste
Statement of Revenues, Expenditures and Changes in Fund Balance
(Budget and Actual)
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance w/Final Budget-Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges for Services:				
Sanitation Collection	\$ 110,000.00	\$ 110,000.00	\$ 117,583.44	\$ 7,583.44
Sanitation Penalties	2,000.00	2,000.00	3,204.02	1,204.02
Sale of Equipment	-	-	-	-
Other:				
Interest	20.00	20.00	6.77	(13.23)
Total Revenues	<u>\$ 112,020.00</u>	<u>\$ 112,020.00</u>	<u>\$ 120,794.23</u>	<u>\$ 8,774.23</u>
EXPENDITURES				
Public Works:				
Salaries	\$ 19,000.00	\$ 19,000.00	\$ 18,489.25	\$ 510.75
Payroll Taxes	1,800.00	1,800.00	1,449.88	350.12
State Unemployment	300.00	300.00	271.96	28.04
Bank Charges	50.00	50.00	182.00	(132.00)
Utility Billing	600.00	600.00	482.75	117.25
Supplies	800.00	1,000.00	826.12	173.88
Uniforms	200.00	200.00	-	200.00
Repairs and Maintenance	250.00	600.00	513.38	86.62
Gas and Oil	500.00	500.00	-	500.00
Legal & Accounting	9,900.00	14,400.00	14,400.00	-
Employee Medical Expense	-	-	-	-
Insurance	4,000.00	2,600.00	2,600.00	-
Miscellaneous	-	-	-	-
Landfill	11,000.00	11,000.00	10,387.58	612.42
Solid Waste Expense	105,000.00	110,000.00	106,819.19	3,180.81
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>\$ 153,400.00</u>	<u>\$ 162,050.00</u>	<u>\$ 156,422.11</u>	<u>\$ 5,627.89</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ (41,380.00)</u>	<u>\$ (50,030.00)</u>	<u>\$ (35,627.88)</u>	<u>\$ 14,402.12</u>
Other Financing Sources (Uses)				
Transfers In	25,000.00	25,000.00	6,345.39	(18,654.61)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>25,000.00</u>	<u>25,000.00</u>	<u>6,345.39</u>	<u>(18,654.61)</u>
Net Change in Fund Balance	<u>\$ (16,380.00)</u>	<u>\$ (25,030.00)</u>	<u>\$ (29,282.49)</u>	<u>\$ (4,252.49)</u>
FUND BALANCE - Beginning			\$ 18,668.60	
PRIOR PERIOD ADJUSTMENT-See Note L			-	
FUND BALANCE - Ending			<u>\$ (10,613.89)</u>	

The notes to the financial statements are an integral part of this financial statement.

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

TOWN OF HENNING, TENNESSEE
STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2011

<u>ASSETS</u>	<u>WATER & SEWER FUND</u>	<u>GAS FUND</u>	<u>TOTAL</u>
CURRENT ASSETS			
Cash	\$ 314,121.86	\$ 350,297.81	\$ 664,419.67
Cash in Bank-Customer Deposits	33,995.93	-	33,995.93
Cash in Bank-LauFayTon	2,232.89	-	2,232.89
Cash in Bank-Water Improvements	26,134.45	-	26,134.45
Cash in Bank-Special Project	40,894.13	-	40,894.13
Cash in Bank-Economic & Community Development	2,778.30	-	2,778.30
Cash in Bank-Bank Card Utilities	1,240.86	-	1,240.86
Certificate of Deposits - Unrestricted	68,969.64	-	68,969.64
Certificate of Deposits - Restricted	67,425.22	81,368.45	148,793.67
Accounts Receivable-Customers	25,281.17	6,125.53	31,406.70
Due From DSCC	-	-	-
Due From State	-	-	-
Due from Other Funds	88,730.43	61,000.00	149,730.43
TOTAL CURRENT ASSETS	\$ 671,804.88	\$ 498,791.79	\$ 1,170,596.67
NONCURRENT ASSETS			
Land	\$ 85,616.24	\$ -	\$ 85,616.24
Buildings	27,108.12	34,517.81	61,625.93
Plant and Equipment	4,394,430.75	327,318.14	4,721,748.89
Less Accumulated Depreciation	(1,964,680.58)	(268,066.97)	(2,232,747.55)
	-	-	-
TOTAL NONCURRENT NET ASSETS	\$ 2,542,474.53	\$ 93,768.98	\$ 2,636,243.51
TOTAL ASSETS	\$ 3,214,279.41	\$ 592,560.77	\$ 3,806,840.18
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 5,237.99	\$ -	\$ 5,237.99
Bonds & Notes Payable Current Portion	20,265.00	-	20,265.00
Other Current Payables	1,711.05	252.63	1,963.68
Customer Deposits	24,790.75	-	24,790.75
Accrued Wages	197.76	3,840.06	4,037.82
Due To Other Funds	-	-	-
Due to Laufayton Energy Assistance	2,814.84	-	2,814.84
TOTAL CURRENT LIABILITIES	\$ 55,017.39	\$ 4,092.69	\$ 59,110.08
NONCURRENT LIABILITIES			
Bonds Payable - Noncurrent	\$ 711,318.00	\$ -	\$ 711,318.00
TOTAL NONCURRENT LIABILITIES	\$ 711,318.00	\$ -	\$ 711,318.00
TOTAL LIABILITIES	\$ 766,335.39	\$ 4,092.69	\$ 770,428.08
NET ASSETS			
Invested in capital assets - net of related debt	\$ 1,810,891.53	\$ 93,768.98	\$ 1,904,660.51
Restricted and/or Pledged as Collateral	173,460.92	81,368.45	254,829.37
Unrestricted	463,591.57	413,330.65	876,922.22
TOTAL NET ASSETS	\$ 2,447,944.02	\$ 588,468.08	\$ 3,036,412.10

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	<u>WATER AND SEWER FUND</u>	<u>GAS FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges	\$ 295,623.05	\$ 184,525.55	\$ 480,148.60
Penalties	4,527.13	3,548.50	8,075.63
Tap Fees	700.00	-	700.00
Service Fees	2,704.18	-	2,704.18
Job Recovery Reimbursement	5,925.31	24,065.82	29,991.13
Robert Henning Mentoring	5,409.29	-	5,409.29
Miscellaneous Charges	1,316.16	504.18	1,820.34
	-	-	-
Total Operating Revenues	<u>\$ 316,205.12</u>	<u>\$ 212,644.05</u>	<u>\$ 528,849.17</u>
OPERATING EXPENSES			
Gas Purchases	\$ -	\$ 79,763.69	\$ 79,763.69
Gas Consultant	-	5,336.35	5,336.35
Depreciation	133,148.77	8,186.00	141,334.77
Salaries	53,458.21	69,126.82	122,585.03
Utilities	28,008.75	2,192.62	30,201.37
Postage	2,135.42	-	2,135.42
Dues	858.40	-	858.40
Travel and Training	967.50	240.00	1,207.50
Employee Medical Expense	60.00	91.50	151.50
Repairs and Maintenance	13,851.98	1,324.50	15,176.48
Utility Billing	5,151.92	3,343.76	8,495.68
Supplies	23,093.63	4,380.49	27,474.12
Water Testing Fees	182.00	-	182.00
Equipment Rental	470.26	-	470.26
Uniform	-	88.90	88.90
Gas, Oil, Diesel	710.46	-	710.46
Payroll Taxes	3,497.04	4,816.08	8,313.12
Unemployment Insurance	738.67	402.63	1,141.30
Miscellaneous	768.64	-	768.64
Insurance	12,808.47	2,100.40	14,908.87
Inspection Fee	130.00	393.33	523.33
Leak Survey	-	1,269.38	1,269.38
Legal and Accounting Fees	14,400.00	14,400.00	28,800.00
Bank Charges	-	-	-
Computer Expense	237.50	-	237.50
Total Operating Expenses	<u>\$ 294,677.62</u>	<u>\$ 197,456.45</u>	<u>\$ 492,134.07</u>
OPERATING INCOME (LOSS)	<u>\$ 21,527.50</u>	<u>\$ 15,187.60</u>	<u>\$ 36,715.10</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	\$ 1,064.31	\$ 722.83	\$ 1,787.14
Interest Expense	<u>(33,007.29)</u>	<u>-</u>	<u>(33,007.29)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (31,942.98)</u>	<u>\$ 722.83</u>	<u>\$ (31,220.15)</u>
Net Income (Loss) Before Contributions & Transfer	(10,415.48)	\$ 15,910.43	\$ 5,494.95
Capital Contributions	\$ 2,551.70	-	2,551.70
CHANGE IN NET ASSETS	\$ (7,863.78)	\$ 15,910.43	\$ 8,046.65
TOTAL NET ASSETS - Beginning	\$ 2,455,807.80	\$ 572,557.65	\$ 3,028,365.45
PRIOR PERIOD ADJUSTMENT-See Note L	0.00	0.00	0.00
TOTAL NET ASSETS - Ending	<u>\$ 2,447,944.02</u>	<u>\$ 588,468.08</u>	<u>\$ 3,036,412.10</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
Statement of Cash Flows -
Proprietary Funds
For the year ended June 30, 2011

	<u>WATER AND SEWER FUND</u>	<u>GAS FUND</u>	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 316,062.96	\$ 211,103.03	\$ 527,165.99
Payments to suppliers	(104,554.74)	(116,039.50)	(220,594.24)
Payments to employees	(56,955.25)	(73,942.90)	(130,898.15)
TOTAL CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 154,552.97</u>	<u>\$ 21,120.63</u>	<u>\$ 175,673.60</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers From Other Funds	\$ -	\$ 772.85	\$ 772.85
Transfers To Other Funds	(24,889.07)	(61,000.00)	(85,889.07)
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>\$ (24,889.07)</u>	<u>\$ (60,227.15)</u>	<u>\$ (85,116.22)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Expense	\$ (33,007.29)	\$ -	\$ (33,007.29)
Grant	2,551.70	-	2,551.70
Principal payment - bonds & notes	(15,050.57)	-	(15,050.57)
Equipment Purchases/Construction	(1,318.61)	(1,725.00)	(3,043.61)
TOTAL CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (46,824.77)</u>	<u>\$ (1,725.00)</u>	<u>\$ (48,549.77)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	\$ 1,064.31	\$ 722.83	\$ 1,787.14
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	<u>\$ 1,064.31</u>	<u>\$ 722.83</u>	<u>\$ 1,787.14</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	<u>\$ 83,903.44</u>	<u>\$ (40,108.69)</u>	<u>\$ 43,794.75</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>\$ 337,494.98</u>	<u>\$ 390,406.50</u>	<u>\$ 727,901.48</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 421,398.42</u>	<u>\$ 350,297.81</u>	<u>\$ 771,696.23</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 21,527.50	\$ 15,187.60	\$ 36,715.10
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	133,148.77	8,186.00	141,334.77
Changes in Assets & Liabilities:			
Accounts Receivable	(142.16)	(1,541.02)	(1,683.18)
Accounts Payable	1,187.64	(2,069.49)	(881.85)
Accrued Wages	197.76	1,357.54	1,555.30
Customer Deposits	(1,366.54)	-	(1,366.54)
Total Cash Provided by Operating Activities	<u>\$ 154,552.97</u>	<u>\$ 21,120.63</u>	<u>\$ 175,673.60</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING
Notes to the Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided by governmental funds and proprietary funds. The Town has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Town has adopted GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments*, and related interpretations issued through June 30, 2003. Statement 34 required certain changes in terminology, format, and content, as well as inclusion of the management's discussion and analysis as required supplementary information.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to governments as defined in the pronouncements of the *Governmental Accounting Standards Board (GASB)*, *Financial Accounting Standards Board (FASB) Statements and Interpretations*, *Accounting Principle Board (APB) Opinions*, and *Accounting Research Bulletins (ARBS)*, issued on or before November 30, 1989. After this date the Town has elected to apply only the GASB pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the utilities are charges for sales to customers for sales and service. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 governmental 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 disposal.

The government reports the following major proprietary funds:

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

D. Assets, liabilities, 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.

State statutes authorize the Town to invest in certificates 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

Activity 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. the 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 billings for services to customers, approximately one month's billing.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February 28th in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 15, for unpaid taxes from 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 judgment.

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 are stated at cost, using the first-in/first-out (FIFO).

Restricted assets

Three certificates 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.

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 governmental 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 of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The proprietary funds define capital assets, which include property, plant, equipment, and construction in progress, as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation. The Town of Henning elected not to report major general infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays 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 straight line method over the following estimated useful lives:

<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 follows:

- There is no comp time
- Vacation policy – One week's vacation after one year for full-time employees. Two week's vacation time after two years. Three weeks vacation time after 5 years; and four weeks vacation time after ten years service. All vacation time must be taken yearly except for employees with over 10 years of employment who may carry over no more than 4 weeks vacation.
- One day sick time 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 costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Net assets/Fund Equity

In the proprietary funds, equity is classified as net assets 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 service – Consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, 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.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

A. Explanation of certain differences between the government fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The details of this \$298,124.74 difference are as follows:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	\$ 490,890.00
Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(192,765.26)
	<hr/>
	\$298,124.74
	<hr/> <hr/>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The details of this \$ 36,124.60 difference are as follows:

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. New debt is a revenue in governmental funds.

New Debt	\$	-0-	
Compensated Absences		(2,334.13)	
Repayment		<u>2,855.48</u>	\$ 521.35

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlays	\$	88,356.25	
Less depreciation		<u>(52,753.00)</u>	<u>\$ 35,603.25</u>
			<u>\$ 36,124.60</u>

NOTE 3 – 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 expenditures 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 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits - The Town has cash and certificates of deposit exceeding \$250,000 with a local bank that participates in a collateral pool. At year-end, the Town’s carrying amount of deposits was \$904,990.40. 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

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.

Cash Flows – “Cash and Cash Equivalents” on the Statements of Cash Flows is comprised of cash and certificates of deposit with a maturity date no greater than three months.

Cash and Temporary Cash Investments consisted of the following:

	Cash	Certificates of Deposit (less than 3 mos. Maturity)
General Fund	\$ 94,466.40	-0-
Special Revenue	38,827.77	-0-
Gas Fund	350,297.81	-0-
Water & Sewer	421,398.42	-0-
	\$ 904,990.40	\$ -0-
	\$ 904,990.40	\$ -0-

B. Receivables

Property Tax - The Town’s property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all taxable real and personal property located in the Town. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Public Utility Property	40%
Industrial & Comm. Property	
Real	40%
Personal	30%
Residential Property	25%

The property tax rate for the current year is \$2.10 per \$100 of assessed valuation. Taxes are due by February of the following year.

C. Bonds and Notes Payable

The bonds payable, current and non-current portions, represent the balance due of bonds issued for the purpose of constructing and improving the water and sewer system. Actual amounts payable at June 30, 2011 are:

1978 Public Works Water Bonds - These bonds bear interest at the rate of five per cent per annum, the principal is payable semiannually on January 1 and July 1 of each year until maturity as follows:

Fiscal Year End	1978 Water Bonds(91-01)	
	Principal	Interest
2012	\$ 8,707.50	\$ 1,692.50
2013	9,148.32	1,251.68
2014	9,611.46	788.54
2015	8,532.72	301.97
Totals	\$ 36,000.00	\$ 4,034.69

1995 Water bond - Bonds were issued March 10, 1995 with a principal amount of \$129,000. The interest rate is 5.25%. The bonds are being repaid with monthly payments in the amount of \$655 each, which began 4-10-95. These bonds were issued through the Farmers Home Administration. Principal Payments are as follows:

Fiscal Year End	1995 FHA Water Works Bond (91-02)	
	Principal	Interest
2012	\$ 2,607.67	\$ 5,252.33
2013	2,750.16	5,109.84
2014	2,898.08	4,961.92
2015	3,053.92	4,806.08
2016	3,218.17	4,641.83
2017-2021	18,880.97	20,419.03
2022-2026	24,534.47	14,765.53
2027-2031	31,880.86	7,419.14
2032-2036	11,404.13	480.45
Totals	\$ 101,228.43	\$ 67,856.15

2004 Water Revenue and Tax Bond – The Town issued bonds through 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 \$2,348, including principal and interest, and will mature in 2043. Principal payments are as follows:

Fiscal	2004 Water Rev. and Tax Bond (91-04)	
Year End	Principal	Interest
2012	\$ 7,484.74	\$ 20,691.26
2013	7,809.95	20,366.05
2014	8,148.39	20,027.61
2015	8,501.56	19,674.44
2016	8,869.97	19,306.03
2017-2021	50,460.15	90,419.85
2022-2026	62,383.96	78,496.04
2027-2031	77,125.41	63,754.59
2032-2036	95,350.32	45,529.68
2037-2041	117,881.77	22,998.23
2042-2046	46,240.93	1,776.34
2047-2051		
Totals	\$ 490,257.15	\$ 403,040.12

USDA Loan #91-10 - The Town issued bonds through Rural Development Corporation with a principal amount of \$111,000. The interest rate is 4.50%. The bonds are being repaid by the Water & Sewer Fund with monthly payments of \$510, including principal and interest, and will mature in 2044. Principal payments are as follows:

Fiscal	Loan #91-10	
Year End	Principal	Interest
2012	\$ 1,465.57	\$ 4,654.43
2013	1,532.15	4,587.85
2014	1,602.50	4,517.50
2015	1,676.14	4,443.86
2016	1,753.15	4,366.85
2017-2021	10,050.39	20,549.61
2022-2026	12,581.05	18,018.95
2027-2031	15,748.90	14,851.10
2032-2036	19,714.39	10,885.61
2037-2041	24,678.40	5,921.60
2042-2046	13,295.13	723.82
2047-2051		
Totals	\$ 104,097.77	\$ 93,521.18

USDA Loan #97-06 - The Town issued bonds through 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 principal and interest, and will mature in 2042. Principal payments are as follows:

Fiscal Year End	\$114,100 General Obl. Bond(97-06)	
	Principal	Interest
2012	\$ 1,929.30	\$ 4,176.70
2013	2,011.29	4,094.71
2014	2,096.77	4,009.23
2015	2,185.88	3,920.12
2016	2,179.01	3,926.99
2017-2021	12,396.09	18,133.91
2022-2026	15,325.32	15,204.68
2027-2031	18,946.73	11,583.27
2032-2036	23,423.87	7,106.13
2037-2041	17,967.20	1,758.38
Total	\$ 98,461.46	\$ 73,914.12

USDA Loan #97-08 - The Town issued bonds through Rural Development Corporation with a principal amount of \$100,000. The interest rate is 4.375%. The bonds are being repaid by the General Fund with annual payments of \$5,445, including principal and interest, and will mature in 2043. Principal payments are as follows:

Fiscal Year End	\$100,000 General Obl. Bond (97-08)	
	Principal	Interest
2012	\$ 1,429.93	\$ 4,015.07
2013	1,492.49	3,952.51
2014	1,557.79	3,887.21
2015	1,625.94	3,819.06
2016	1,687.78	3,757.22
2017-2021	9,613.30	17,611.70
2022-2026	11,908.44	15,316.56
2027-2031	14,751.53	12,473.47
2032-2036	18,273.41	8,951.59
2037-2041	22,636.12	4,588.88
2042-2046	6,975.21	388.44
2047-2051		
Total	\$ 91,951.94	\$ 78,761.71

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Primary Government</u>	Beginning Balance June 30, 2010	Increases	Decreases	Prior Period Adjustments (See Note L)	Ending Balance June 30, 2011
Governmental Activities:					
Capital assets - not being depreciated - land	\$ 20,000	\$ -	\$ -	-	\$ 20,000
Capital assets - being depreciated:					
Buildings	\$ 714,452	\$ -	\$ -	-	\$ 714,452
Equipment	312,521	88,356	-	-	400,877
Total Capital Assets being depreciated	\$ 1,026,973	\$ 88,356	\$ -	-	\$ 1,115,329
Less accumulated depreciation	(591,686)	(52,753)	-	-	(644,439)
Total Capital Assets Being Depreciated (Net)	\$ 435,287	\$ 35,603	\$ -	-	\$ 470,890
Governmental Activities: Capital Assets (Net)	\$ 455,287	\$ 35,603	\$ -	-	\$ 490,890

Depreciation expense for the current fiscal year:	Administration	\$ 8,013
	Public Safety	9,302
	Culture/Recreation	32,082
	Public Works	3,356
	Total	\$ 52,753

Business-type Activities:

Capital assets - not being depreciated					
Land	\$ 85,616	\$ -	\$ -	-	\$ 85,616
Capital assets - being depreciated:					
Buildings	59,901	1,725	-	-	61,626
Plant & Equipment	4,806,046	1,319	-	(85,616)	4,721,748
Total capital assets being depreciated	\$ 4,865,947	\$ 3,044	\$ -	(85,616)	\$ 4,783,374
Less accumulated depreciation	(2,091,412)	(141,335)	-	-	(2,232,747)
Total Capital Assets Being Depreciated (Net)	\$ 2,774,535	\$ (138,291)	\$ -	(85,616)	\$ 2,550,628
Total Capital Assets (Net)	\$ 2,860,151	\$ (138,291)	\$ -	(85,616)	\$ 2,636,244

Depreciation expense for the current fiscal year:	Water & Sewer Fund	\$ 133,149
	Gas Fund	8,186
Total Depreciation Expense - Business-type Activities		141,335

E. Interfund Receivables and Payables

<u>Due From:</u>	<u>Due To:</u>	<u>Amount</u>
General Fund	State Street Aid	\$ 2,732.65**
General Fund	Water & Sewer	\$ 63,730.43*
General Fund	Gas	\$ 61,000.00#
Solid Waste	Water & Sewer	\$ 25,000.00##

*\$25,000 – loan to General Fund for Operation, \$40,286.00 – Grant money deposited into General Fund which should have been Water & Sewer.

** \$2,732.65 was deposited into the General Fund for State Gasoline tax which should have been transferred to State Street Aid.

The General Fund had to borrow \$61,000 from the Gas department for operations.

The Solid Waste had to borrow \$25,000 from the Water and Sewer Dept. for operations.

F. Changes in Notes Payable and Proprietary Fund Bonds

Balance 7-1-10	Additions	Retirement	Balance 6-30-11
<hr/>			
Proprietary Fund Notes & Bonds			
\$ 746,633.57	\$ 0.00	\$(15,050.57)	\$731,583.00
General Fund Notes & Bonds			
\$ 193,268.88	\$ 0.00	\$(2,855.48)	\$190,413.40

G. Risk Management

The government is exposed to various risks of loss related to torts; theft of, 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.

H. Compensated Absences

	<u>Beg. Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>End Balance</u>
General Fund	\$ -0-	\$2,351.86	\$ -0-	\$ 2,351.86
Water & Sewer	<u>2,482.52</u>	<u>1,357.54</u>	<u>-0-</u>	<u>3,840.06</u>
Total Compensated Absences	<u>\$ 2,482.52</u>	<u>\$3,709.40</u>	<u>\$ -0-</u>	<u>\$ 6,191.92</u>

I. Expenditures Compared to Budget

General Fund – Expenditures exceeded their budget in all departments except the administrative and fire departments.

J: Subsequent Events

The subsequent events have been evaluated through December 31, 2011, which is the date the financial statements were available to be issued. There were no significant events noted.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HENNING, TENNESSEE
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

ASSETS

	<u>STATE STREET AID</u>	<u>DRUG FUND</u>	<u>TOTALS</u>
Current Assets			
Cash and Cash Equivalents	\$ 33,103.35	\$ 663.28	\$ 33,766.63
Accounts Receivable	-	-	0.00
Due From General Fund	<u>2,732.65</u>	<u>-</u>	<u>2,732.65</u>
TOTAL ASSETS	<u>\$ 35,836.00</u>	<u>\$ 663.28</u>	<u>\$ 36,499.28</u>

LIABILITIES AND FUND BALANCE

LIABILITIES			
Accounts Payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted Fund Balance:			
Highways and Streets	\$ 35,836.00	\$ -	\$ 35,836.00
Law Enforcement	<u>-</u>	<u>663.28</u>	<u>663.28</u>
Total Fund Balance	<u>\$ 35,836.00</u>	<u>\$ 663.28</u>	<u>\$ 36,499.28</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,836.00</u>	<u>\$ 663.28</u>	<u>\$ 36,499.28</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
Combining Statement of Revenues, Expenses and Changes in Fund
Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	STATE STREET AID	DRUG FUND	TOTAL
REVENUES			
Interest Income	\$ 16.08	\$ -	\$ 16.08
State of TN Gasoline Tax (940)	22,776.26	-	22,776.26
State of TN Motor Fuel (941)	12,880.88	-	12,880.88
State Gas Tax (942)	356.54	-	356.54
Fines	-	526.13	526.13
TOTAL REVENUES	\$ 36,029.76	\$ 526.13	\$ 36,555.89
EXPENDITURES			
Street Lights	\$ 29,391.55	\$ -	\$ 29,391.55
Street Improvements	-	-	-
Supplies	-	675.00	675.00
Repairs and Maintenance	564.98	-	564.98
Capital Outlay	-	1,221.90	1,221.90
TOTAL EXPENDITURES	\$ 29,956.53	\$ 1,896.90	\$ 31,853.43
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 6,073.23	\$ (1,370.77)	\$ 4,702.46
FUND BALANCE - Beginning	29,762.77	2,034.05	31,796.82
FUND BALANCE - Ending	\$ 35,836.00	\$ 663.28	\$ 36,499.28

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
State Street Aid Fund (Special Revenue Fund)
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance w/Final Budget-Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest Income	\$ 50.00	\$ 50.00	\$ 16.08	\$ (33.92)
State of TN Gasoline Tax (940)	11,000.00	11,000.00	22,776.26	11,776.26
State of TN Motor Fuel (941)	16,000.00	16,000.00	12,880.88	(3,119.12)
State Gas Tax (942)	2,500.00	2,500.00	356.54	(2,143.46)
TOTAL REVENUES	\$ 29,550.00	\$ 29,550.00	\$ 36,029.76	\$ 6,479.76
EXPENDITURES				
Street Lights	\$ 32,000.00	32,000.00	\$ 29,391.55	\$ 2,608.45
Street Improvements	-	-	-	-
Repairs & Maintenance	2,000.00	2,000.00	564.98	1,435.02
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	\$ 34,000.00	\$ 34,000.00	\$ 29,956.53	\$ 4,043.47
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	\$ (4,450.00)	\$ (4,450.00)	\$ 6,073.23	\$ 10,523.23
FUND BALANCE - Beginning			29,762.77	
FUND BALANCE - Ending			\$ 35,836.00	

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
Drug Fund (Special Revenue Fund)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 1,200.00	\$ 1,200.00	\$ 526.13	\$ (673.87)
TOTAL REVENUES	<u>\$ 1,200.00</u>	<u>\$ 1,200.00</u>	<u>\$ 526.13</u>	<u>\$ (673.87)</u>
EXPENDITURES				
Supplies	\$ -	\$ -	\$ 675.00	\$ (675.00)
Informants	-	-	-	-
Uniforms	-	-	-	-
Repairs/Maintenance	1,000.00	1,000.00	-	1,000.00
Capital Outlay	-	-	1,221.90	(1,221.90)
TOTAL EXPENDITURES	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>	<u>\$ 1,896.90</u>	<u>\$ (896.90)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 200.00</u>	<u>\$ 200.00</u>	\$ (1,370.77)	<u>\$ (1,570.77)</u>
FUND BALANCE - Beginning			<u>\$ 2,034.05</u>	
FUND BALANCE - Ending			<u>\$ 663.28</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
 CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
 BY SOURCE
 For the year ended June 30, 2011

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$	20,000.00
Buildings		267,130.02
Equipment		848,199.00
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 \$	 <u><u>1,135,329.02</u></u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS

General Fund Revenues	\$	494,703.00
Drug Fund Revenues		8,143.00
Revenue Sharing Fund Revenues		30,092.00
State Grants		284,832.24
Federal Grants		304,675.00
Antirecession Fiscal Assistance Fund Revenues		799.00
State Street Aid Fund Revenues		1,085.00
Individual Contributions		11,000.00
 TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	 \$	 <u><u>1,135,329.24</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
 CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
 BY SOURCE
 For the year ended June 30, 2011

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$	20,000.00
Buildings		267,130.02
Equipment		<u>848,199.00</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 \$	 <u><u>1,135,329.02</u></u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS

General Fund Revenues	\$	493,481.00
Drug Fund Revenues		9,365.00
Revenue Sharing Fund Revenues		30,092.00
State Grants		284,832.24
Federal Grants		304,675.00
Antirecession Fiscal Assistance Fund Revenues		799.00
State Street Aid Fund Revenues		1,085.00
Individual Contributions		<u>11,000.00</u>
 TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	 \$	 <u><u>1,135,329.24</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
 STATEMENT OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 For the year ended June 30, 2011

	BALANCE 7/1/2010	ADDITIONS	RETIREMENTS	BALANCE 6/30/2011
GOVERNMENTAL FUNDS CAPITAL ASSETS:				
Land	\$ 20,000.00	\$ -	-	\$ 20,000.00
Buildings	267,130.00	-	-	267,130.00
Equipment	759,843.00	88,356.00	-	848,199.00
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,046,973.00	\$ 88,356.00	-	\$ 1,135,329.00
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS:				
General Fund Revenues	\$ 484,112.00	\$ 9,369.00	-	\$ 493,481.00
Drug Fund Revenues	8,143.00	1,222.00	-	9,365.00
Revenue Sharing Fund Revenues	30,092.00	-	-	30,092.00
State Grants	284,832.00	-	-	284,832.00
Federal Grants	226,910.00	77,765.00	-	304,675.00
Antirecession Fiscal Assistance Fund Revenues	799.00	-	-	799.00
State Street Aid Fund Revenues	1,085.00	-	-	1,085.00
Individual Contributions	11,000.00	-	-	11,000.00
TOTAL INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,046,973.00	\$ 88,356.00	-	\$ 1,135,329.00

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE

Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011

Federal & Other Awards	CFDA #	Contract Number	Beginning Balance 7/1/2010	Receipts	Disbursements	Ending Balance 6/30/2011
TEMA Bridge Grant	97.036	3-4101-00000006197	\$ -	\$ 16,102.61	\$ 16,102.61	\$ -
TN Dept. of Econ. & Comm. Development	14.228	CE-11-34756-00	-	3,000.00	3,000.00	-
TN Dept. of Econ & Comm. Dev. - ARRA	81.128	CG1133442	-	77,765.00	87,760.35	(9,995.35)
TN Dept. of Environment & Conservation	n/a	CG1030238	-	5,409.29	5,409.29	

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE

Schedule of Operating Transfers
For the Fiscal Year ending June 30, 2011

Date	<u>From</u>	<u>To</u>	<u>Amount</u>
10/20/2010	Gas Fund	General Fund	\$ 21,000.00
6/28/2011	Gas Fund	General Fund	40,000.00
10/26/2010	Water & Sewer Fund	Solid Waste Fund	25,000.00

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING

Water & Sewer Fund Schedule of Bond Payments - Interest and Principal by Fiscal Year

June 30, 2011

Fiscal Year End	1978 Water Bonds(91-01)		1995 FHA Water Works Bond (91-02)		2004 Water Rev. and Tax Bond (91-04)		Loan #91-10		Total Water & Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 8,707.50	\$ 1,692.50	\$ 2,607.67	\$ 5,252.33	\$ 7,484.74	\$ 20,691.26	\$ 1,465.57	\$ 4,654.43	\$ 20,265.48	\$ 32,290.52
2013	9,148.32	1,251.68	2,750.16	5,109.84	7,809.95	20,366.05	1,532.15	4,587.85	21,240.58	31,315.42
2014	9,611.46	788.54	2,898.08	4,961.92	8,148.39	20,027.61	1,602.50	4,517.50	22,260.43	30,295.57
2015	8,532.72	301.97	3,053.92	4,806.08	8,501.56	19,674.44	1,676.14	4,443.86	21,764.34	29,236.35
2016	-	-	3,218.17	4,641.83	8,869.97	19,306.03	1,753.15	4,366.85	13,841.29	28,314.71
2017-2021	-	-	18,880.97	20,419.03	50,460.15	90,419.85	10,050.39	20,549.61	79,391.51	131,388.49
2022-2026	-	-	24,534.47	14,765.53	62,383.96	78,496.04	12,581.05	18,018.95	99,499.48	111,280.52
2027-2031	-	-	31,880.86	7,419.14	77,125.41	63,754.59	15,748.90	14,851.10	124,755.17	86,034.83
2032-2036	-	-	11,404.13	480.45	93,350.32	45,529.68	19,714.39	10,885.61	126,468.84	56,895.74
2037-2041	-	-	-	-	117,881.77	24,998.23	24,678.40	5,921.60	142,560.17	28,919.83
2042-2046	-	-	-	-	46,240.93	1,776.34	13,295.13	723.82	59,536.06	2,500.16
2047-2051	-	-	-	-	-	-	-	-	-	-
Totals	\$ 36,000.00	\$ 4,034.69	\$ 101,228.43	\$ 67,856.15	\$ 490,257.15	\$ 403,040.12	\$ 104,097.77	\$ 93,521.18	\$ 731,583.35	\$ 568,452.14

TOWN OF HENNING

General Fund Schedule of Bond and Note Payments - Interest and Principal by Fiscal Year

June 30, 2011

Fiscal Year End	\$114,100 General Obl. Bond(97-06)		\$100,000 General Obl. Bond (97-08)		Total General Fund		Total All Funds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,929.30	\$ 4,176.70	\$ 1,429.93	\$ 4,015.07	\$ 3,359.23	\$ 8,191.77	\$ 23,624.71	\$ 40,482.29
2013	2,011.29	4,094.71	1,492.49	3,952.51	3,503.78	8,047.22	24,744.36	39,362.64
2014	2,096.77	4,009.23	1,557.79	3,887.21	3,654.56	7,896.44	25,914.99	38,192.01
2015	2,185.88	3,920.12	1,625.94	3,819.06	3,811.82	7,739.18	25,576.16	36,965.53
2016	2,179.01	3,926.99	1,687.78	3,757.22	3,866.79	7,684.21	17,708.08	35,998.92
2017-2021	12,396.09	18,133.91	9,613.30	17,611.70	22,009.39	35,745.61	101,400.90	167,134.10
2022-2026	15,325.32	15,204.68	11,908.44	15,316.56	27,233.76	30,521.24	126,733.24	141,801.76
2027-2031	18,946.73	11,583.27	14,751.53	12,473.47	33,698.26	24,056.74	158,453.43	110,081.57
2032-2036	23,423.87	7,106.13	18,273.41	8,951.59	41,697.28	16,057.72	168,166.12	72,953.46
2037-2041	17,967.20	1,758.38	22,636.12	4,588.88	40,603.32	6,347.36	183,163.49	35,267.09
2042-2046	-	-	6,975.21	388.44	6,975.21	388.44	66,511.27	2,888.60
2047-2051	-	-	-	-	-	-	-	-
Total	\$ 98,461.46	\$ 73,914.12	\$ 91,951.94	\$ 78,761.71	\$ 190,413.40	\$ 152,675.83	\$ 921,996.75	\$ 731,127.97

The above interest requirements are computed on the cash basis

Town of Henning Tennessee
Schedule of Unaccounted For Water - Unaudited
June 30, 2011
 (All amounts in gallons)

A. Water Treated & Purchased		
B. Water Pumped (Potable)	49,414,000	
C. Water Purchased	0	
D.	Total Water Treated & Purchased	49,414,000
	(Sum Lines B & C)	
 E. Accounted for Water		
F. Water Sold	21,837,300	
G. Metered for Consumption (in house usage)	0	
H. Fire Department(s) Usage	0	
I. Flushing	0	
J. Tank Cleaning, Filling	2,620,800	
K. Street Cleaning	0	
L. Bulk Sales	0	
M. Water Bill Adjustments/ plus or (minus)	0	
N.	Total Accounted for Water	24,458,100
	(Sum Lines F through M)	
O.	Unaccounted for Water	24,955,900
	(Line D minus Line N)	
P.	Percent Unaccounted for Water	50.504%
	(Line O divided by Line D x 100)	
Q. Other (explain)		0
Explain Other:		0

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or the line item is not applicable, a "0" is shown.

**GOVERNMENT-WIDE
INFORMATION**

TOWN OF HENNING
GOVERNMENT-WIDE EXPENSES BY FUNCTION
Last Eight Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Sanitation	Culture and Recreation	Interest on Long-term Debt	Water and Sewer	Gas	Total
2004	\$ 199,131	\$ 257,757	\$ 43,443	\$ 41,040	\$ 17,114	\$ 3,788	\$ 353,090	\$ 344,196	\$ 1,259,559
2005	244,232	271,484	19,208	66,388	411,824	2,832	347,746	380,610	1,744,324
2006	169,468	204,477	62,242	62,711	75,750	1,907	312,060	393,418	1,282,033
2007	174,578	219,884	212,227	116,545	26,648	7,500	300,975	314,122	1,372,478
2008	179,871	208,192	208,919	-	26,809	8,940	300,679	275,336	1,208,746
2009	226,456	216,406	184,116	-	41,052	8,850	332,219	253,267	1,262,366
2010	242,401	224,832	204,075	-	128,828	8,598	383,168	199,235	1,391,137
2011	215,870	238,285	224,635	-	168,310	8,696	327,685	197,456	1,380,937

Note: After 2007 Sanitation is included with Highways and Streets

TOWN OF HENNING
 GOVERNMENT-WIDE REVENUES
 Last Eight Fiscal Years

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2004	\$ 786,787	\$ 1,627	\$ 239,480	\$ 339,278	\$ 4,683	\$ 4,783	\$ 1,376,638
2005	736,003	1,900	782,677	399,440	3,138	13,783	1,936,941
2006	834,535	-	146,280	237,213	1,413	12,628	1,232,069
2007	932,068	34,364	146,280	361,063	11,857	18,992	1,504,624
2008	811,408	34,528	260,369	400,870	10,304	-	1,517,479
2009	870,783	36,174	341,228	378,905	6,566	-	1,633,656
2010	687,876	154,091	47,503	382,949	4,203	-	1,276,622
2011	698,479	205,395	80,317	355,239	1,841	-	1,341,271

FUND INFORMATION

TOWN OF HENNING
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Eight Fiscal Years

Fiscal Year	General Government	Public Safety	Highways & Streets	Sanitation	Culture & Recreation	Debt Service	Total
2011	\$207,248.00	\$228,308.00	\$34,900.00	\$156,422.00	\$224,493.00	\$11,551.00	\$862,922.00
2010	\$246,535.00	\$217,452.00	\$18,469.00	\$150,543.00	\$124,219.00	\$11,551.00	\$768,769.00
2009	\$221,962.78	\$219,229.56	\$47,330.75	\$133,429.68	\$19,230.15	\$11,551.00	\$652,733.92
2008	\$173,821.94	\$195,336.94	\$81,357.44	\$159,216.73	\$13,722.57	\$7,202.08	\$630,657.70
2007	\$172,234.53	\$199,060.09	\$212,227.19	\$116,544.87	\$11,927.41	\$8,651.14	\$720,645.23
2006	\$163,121.03	\$169,738.43	\$62,241.89	\$62,710.95	\$35,830.63	\$9,939.10	\$503,582.03
2005	\$239,307.72	\$268,818.59	\$19,208.46	\$67,064.98	\$674,285.30	\$9,591.49	\$1,278,276.54
2004	\$194,738.92	\$252,272.86	\$20,657.53	\$63,825.78	\$143,336.60	\$10,157.03	\$684,988.72
2003	\$191,904.69	\$297,918.89	\$54,103.86	\$45,497.16	\$11,483.18	\$10,114.06	\$611,021.84

TOWN OF HENNING
GENERAL GOVERNMENTAL REVENUE BY SOURCE
Last Seven Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental Revenues	Charges for		Fines	Investment Earnings	Miscellaneous	Total
				Service	Service				
2011	\$180,696.11	\$7,813.41	\$399,830.46	\$120,787.46	\$44,359.48	\$53.36	\$54,560.50	\$808,100.78	
2010	\$213,962.44	\$4,560.80	\$302,339.35	\$111,521.84	\$58,299.03	\$91.68	\$8,168.87	\$698,944.01	
2009	\$198,430.30	\$8,211.99	\$213,384.49	\$112,091.23	\$80,244.85	\$156.14	\$20,601.48	\$633,120.48	
2008	\$204,954.59	\$9,816.88	\$227,389.44	\$92,466.81	\$40,423.30	\$474.15	\$4,022.46	\$579,547.63	
2007	\$170,903.28	\$13,252.25	\$370,152.25	\$93,950.36	\$51,195.07	\$644.99	\$17,436.03	\$717,534.23	
2006	\$171,168.88	\$7,613.90	\$279,000.77	\$96,736.86	\$15,052.39	\$558.31	\$12,628.00	\$582,759.11	
2005	\$180,645.01	\$9,048.48	\$261,899.41	\$90,608.10	\$79,922.52	\$452.45	\$15,689.00	\$638,264.97	
2004	\$129,502.33	\$8,262.33	\$284,682.16	\$79,646.78	\$68,188.31	\$353.78	\$11,624.06	\$582,259.75	

TOWN OF HENNING
GENERAL GOVERNMENT PROPERTY TAX REVENUE BY SOURCE
Last Nine Fiscal Years

Fiscal Year	Current Year Property Tax	Public Utility Tax	Prior Year Collections	Penalty & Interest	Total
2011	\$ 136,208.00	\$ 15,345.82	\$ 28,324.00	\$ 7,211.25	\$ 187,089.07
2010	\$ 130,112.00	\$ 15,646.90	\$ 51,458.00	\$ 10,722.27	\$ 207,939.17
2009	\$ 137,891.00	\$ 15,749.20	\$ 22,978.00	\$ 9,412.04	\$ 186,030.24
2008	\$ 128,177.50	\$ 15,764.04	\$ 38,105.72	\$ 14,904.01	\$ 196,951.27
2007	\$ 121,879.80	\$ 18,321.93	\$ 28,215.66	\$ 3,431.57	\$ 171,848.96
2006	\$ 106,827.99	\$ 9,665.53	\$ 18,021.31	\$ 4,771.32	\$ 139,286.15
2005	\$ 110,490.49	\$ 11,515.21	\$ 40,475.31	\$ 9,162.99	\$ 171,644.00
2004	\$ 95,706.38	\$ 13,438.78	\$ 11,391.96	\$ 3,214.77	\$ 123,751.89
2003	\$ 112,412.46	\$ 13,497.28	\$ 21,433.85	\$ 7,446.81	\$ 154,790.40

TOWN OF HENNING
PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN YEARS

For the Fiscal Year Ending June 30, 2011

Year of Levy	Tax Rate	Tax Levy	Balance		Additions & Adjustments	Collections	Balance June 30, 2011		Taxes Owed by Choctaw	Outstanding Taxes Filed With Chancery Court
			July 1, 2010	June 30, 2010			June 30, 2011	June 30, 2011		
2011	\$ 2.0446	\$ 8,472,828.00	\$ 173,230.00	\$ -	-	\$ 173,230.00	\$ -			
2010	2.10	8,033,373.00	172,527.00	-	136,208.00	36,319.00	8,307.00			
2009	2.10	8,215,409.00	42,415.00	-	17,340.00	25,075.00	11,568.00		25,075.00	
2008	2.10	8,265,929.00	19,078.00	-	3,792.00	15,286.00	6,923.00		15,286.00	
2007	2.10	7,897,918.00	9,178.00	15,734.00	5,698.00	19,214.00	12,599.00		19,214.00	
2006	2.10	7,581,392.00	1,518.00	16,920.00	-	18,438.00	16,476.00		18,438.00	
2005	2.10	6,990,809.00	11,858.00	-	-	11,858.00	8,159.00		11,858.00	
2004	2.10	6,758,681.00	9,250.00	-	365.00	8,885.00	8,885.00		8,885.00	
2003	2.10	6,583,711.00	9,046.00	-	-	9,046.00	8,148.00		9,046.00	
2002	2.10	6,641,137.00	8,883.00	-	656.00	8,227.00	7,491.00		8,227.00	
2001	1.80	6,608,620.00	8,517.00	363.00	-	8,880.00	8,485.00		8,880.00	
2000	1.80	5,415,218.00	5,895.00	-	-	5,895.00	5,244.00		5,895.00	
1999	1.80	4,901,009.00	5,502.00	-	30.00	5,472.00	5,174.00		5,472.00	
1998	1.80	5,849,156.00	4,928.00	-	-	4,928.00	4,687.00		4,928.00	
1997	1.80	5,762,228.00	5,013.00	-	-	5,013.00	4,687.00		5,013.00	
1996	1.80	4,986,167.00	184.00	-	-	184.00	-		184.00	
1995	1.80	3,555,834.00	1,203.00	-	253.00	950.00	-		950.00	
1994	1.80	2,746,554.00	268.00	25.00	-	293.00	-		293.00	
Prior			316.00	-	190.00	126.00	-		126.00	
			488,809.00	33,042.00	164,532.00	357,319.00	116,833.00		147,770.00	

NOTES: (1) Ending Outstanding Taxes include \$116,833 assessed to the Choctaw Association.
See notes to the financial statements.
(2) Delinquent taxes through 2009 have been filed with Chancery court.

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
Water and Sewer Fund
Schedule of Utility Rates in Force
For the year ended June 30, 2011

WATER	Period 7/1/10 to 2/28/11 Per 1000 gallons	Minimum	Period 3/1/11 to 6/30/11 Per 1000 gallons	Minimum
Water (Class 22)				
First 3,000 gallons		\$ 19.31		\$ 19.89
3001-5000 gallons	\$ 5.20		\$ 5.36	
5000-8000 gallons	\$ 4.83		\$ 4.97	
> 8000 gallons	\$ 4.46		\$ 4.59	
Water (Class 23)				
First 3,000 gallons		\$ 20.80		\$ 21.42
3001-5000	\$ 5.20		\$ 5.36	
5001-8000	\$ 4.83		\$ 4.97	
>8000	\$ 4.46		\$ 4.59	
Number of water customers at year end	435		435	

SEWER	100% of water rate	100% of water rate
Water (Class 22)		
First 3,000 gallons	\$ 19.31	\$ 19.89
3001 to 5000	\$ 5.20	\$ 5.36
5000 to 8000	\$ 4.83	\$ 4.97
>8000	\$ 4.46	\$ 4.59
Number of sewer customers at year end	407	407

GAS FUND
Schedule of Utility Rates in Force
For the year ended June 30, 2011

	Per 10 cu. Feet	Minimum
Residential	\$ 1.38 Plus	\$ 6.91
Special Residential	\$ 1.48 Plus	\$ 7.79
Commercial	\$ 1.34 Plus	\$ 12.43
Number of gas customers at year end	# 213	

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE
Schedule of Insurance
June 30, 2011

<u>Company/Policy No.</u> <u>Effective Dates:</u>	<u>Type of Coverage</u>	<u>Premium</u>
TML Risk Management Pool		
TML-0566-13 9/4/10-9/4/11	General Liability, Law Enforcement Liability, Errors or Omissions, Auto Liability & Auto Physical Damage	\$38,356.00
TML TMP-3146-10 9/4/10-9/4/11	Property	\$12,775
TML TWC-0576-13 8/2/10-8/2/11	Workers Comp	\$19,987
RLI Surety DRS1065535 2/8/10-2/8/11	Public Official Fidelity Bond	\$ 350

TOWN OF HENNING, TENNESSEE
Water and Sewer Fund
Utility Plant in Service
For the year ended June 30, 2011

	<u>BALANCE</u> June 30, 2010	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2011
Land	\$ 85,616.24	\$ 0.00	\$ 0.00	\$ 85,616.24
Buildings	27,108.12	0.00	0.00	27,108.12
Plant & Equipment	<u>4,393,112.14</u>	<u>1,318.61</u>	<u>0.00</u>	<u>4,394,430.75</u>
Accumulated Depreciation	(1,831,531.32)	(133,148.77)	0.00	(1,964,680.09)
TOTAL ASSETS	<u>\$ 2,674,305.18</u>	<u>\$ (131,830.16)</u>	<u>\$ 0.00</u>	<u>\$ 2,542,475.02</u>

TOWN OF HENNING, TENNESSEE
Gas Fund
Utility Plant in Service
For the year ended June 30, 2011

	<u>BALANCE</u> June 30, 2010	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2011
Plant & Equipment	\$ 327,318.14	\$ 0.00	\$ 0.00	\$ 327,318.14
Building	32,792.81	1,725.00	0.00	34,517.81
Accumulated Depreciation	<u>(259,880.97)</u>	<u>(8,186.00)</u>	-	<u>(268,066.97)</u>
TOTAL ASSETS	<u>\$ 100,229.98</u>	<u>\$ (6,461.00)</u>	<u>\$ 0.00</u>	<u>\$ 93,768.98</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENNING, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE (Real & Personal)

For the year ended June 30, 2011

	<u>TOTAL</u>	<u>CURRENT YEAR</u>	<u>PRIOR YEARS</u>
Property Taxes Receivable -			
Real and personal - July 1, 2010	\$ 315,579.00	\$ 172,527.00	\$ 143,052.00
Adjustments			
Adjustments			
Less collections	<u>(164,532.00)</u>	<u>(136,208.00)</u>	<u>(28,324.00)</u>
	\$ 151,047.00	\$ 36,319.00	\$ 114,728.00
Transfer balance of current year to prior yr.	<u>-</u>	<u>(36,319.00)</u>	<u>36,319.00</u>
	\$ 151,047.00	\$ -	\$ 151,047.00
Taxes levied - 2011	173,230.00	173,230.00	-
Adjustment	<u>33,042.00</u>	<u>-</u>	<u>33,042.00</u>
Property Taxes Receivable - June 30, 2011	<u>\$ 357,319.00</u>	<u>\$ 173,230.00</u>	<u>\$ 184,089.00</u>

Property Taxes Receivable Classified as:

Current Receivables	\$ 36,319.00
Deferred Revenue - (2004,2005,2006,2007,2008,2009.)	78,013.00
Deferred Revenue - (2011 assessment due 10/1/11)	173,230.00
Uncollectible Accounts	<u>69,757.00</u>
Total Property Taxes Receivable	<u>\$ 357,319.00</u>

The notes to the financial statements are an integral part of this statement.

INTERNAL CONTROL AND
COMPLIANCE SECTION

William M. Harmon

Certified Public Accountant

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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*

Honorable Michael Bursey, Mayor &
Members of the Board of Aldermen
Town of Henning, Tennessee

I have audited the 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, 2011, which collectively comprise the Town of Henning, Tennessee's basic financial statements and have issued my report thereon dated January 2, 2012. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Henning, Tennessee's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Henning, Tennessee's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the accompanying schedule of findings and recommendations, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. I consider the deficiency described in the accompanying schedule of findings and recommendations as 2011-3 to be a material weakness.

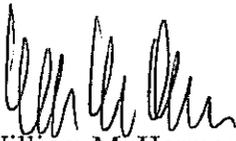
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying schedule of findings and questioned costs as 2011-1 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Henning, Tennessee's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance which are described in the accompanying schedule of findings and recommendations as 2011-4.

The Town of Henning, Tennessee's responses to the findings identified in my audit is described in the accompanying schedule of findings and recommendations. I did not audit the Town of Henning, Tennessee's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, board of aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



William M. Harmon
January 2, 2012

TOWN OF HENNING, TENNESSEE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2011

STATUS OF PRIOR YEAR FINDINGS:

2010-1 Segregation of Duties (Internal Control) (Significant Deficiency)

See current year finding 2011-1.

2010-2 Property Taxes Receivable

See current year finding 2011-2

CURRENT YEAR FINDINGS

2011-1 Segregation of Duties (Significant Deficiency)

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: I 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. We will continue to look for ways to improve this situation in the future.

2011-2 Property Taxes Receivable

Condition: The situation involving the property taxes receivable from the Choctaw Association began during a prior administration. The Choctaw Association built housing units in the city limits and signed an agreement with the Town of Henning to pay a payment in lieu of taxes. The county tax assessor did not agree with this and when property taxes are assessed these housing units are on the property tax rolls for approximately \$5,000 per year. These taxes are showing in the "unpaid list" and carried in the receivables as the property tax assessor will not agree to an adjustment and states that the county intends to collect their portion of the taxes.

Criteria: The Town is required to collect and enforce its legal property tax assessment.

Effect: The Town continues to lose potential tax revenue but yet must maintain services to this property within the Town's municipal limits.

Recommendation The Town's attorney should pursue this matter until this situation is resolved. At that time an adjustment can be made to the general ledger to correct the receivables.

Response – We have discussed this with our attorney's and continue to work to find a resolution to this issue.

TOWN OF HENNING, TENNESSEE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2011

2011-3 One Signature on Checks (Material Weakness)

Condition: There were several instances where checks were signed with only one signature.

Criteria: The Tennessee City Manual Title 5, Chapter 11, Section 7 states in part "Municipal officials should ensure that... two authorized signatures are required for all checks".

Effect: There is potential for unauthorized disbursements.

Recommendation: I recommend that all checks be signed with two authorized signatures.

Response: The mayor was aware of the checks that were signed with only one signature. Sometimes it is difficult if someone is out of town to get the required two signatures but we will ensure that this is done in the future.

2011-4 General Fund Expenditures Exceeded Budget (Compliance)

Condition: The general fund expenditures exceeded the approved budget.

Criteria: The legally adopted budget gives the Town authority to spend money and cannot be exceeded.

Effect: Exceeding the legally adopted budget is a potential violation of State and local law regarding budgeting and expenditures.

Recommendation: I recommend that all expenditures be checked against the budget and if necessary budget amendments made to revise the budget in light of any new circumstances.

Response: The Town had numerous additional expenditures related to several grants as well as the Job Recovery funds for payroll. We will maintain our expenditures within the legally adopted budget in the future.