

Cozart & Associates, PC

Certified Public Accountants

Brownsville Haywood County – Emergency Management Agency

*Annual Financial Statements
For the Year Ended
June 30, 2010*

*29 North Lafayette Avenue
Brownsville, TN 38012*

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
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FOR THE YEAR ENDED JUNE 30, 2010

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BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

DIRECTORY

June 30, 2010

MEMBERS OF BOARD OF DIRECTOR

Robert Parks, Director
Franklin Smith, County Mayor
Webb Banks, City Mayor
Ed Ellington, Chairman of Board
Gil Kendrick, Member
Frank Faucett, Member
Art Foster, Member

Attorney At Law
Michael Banks
Brownsville, TN 38012

Independent Certified Public Accountants
Kenneth Cozart & Associates, PC
Brownsville, TN 38012

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KENNETH COZART, CPA

MEMBER:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brownsville - Haywood County Emergency Management Agency

We have audited the accompanying financial statements of the governmental activities and each major fund of the Brownsville-Haywood County Emergency Management Agency, ("Agency") as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Brownsville - Haywood County Emergency Management Agency as of June 30, 2010 and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2011 on our consideration of the Brownsville-Haywood County Emergency Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal

control over financial reporting or 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 our audit.

Accounting principles generally accepted in the United State of America require that Management's Discussion and Analysis on pages 4-6 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standard Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brownsville-Haywood County Emergency Management Agency 's financial statements as a whole. The Introductory Section and Schedule of Federal Award are not a required part of financial statements. The Schedule of Federal Award information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the section.

Certified Public Accountant
Kenneth Cozart and Associates, CPA, PC

Brownsville, Tennessee
January 12, 2011

**BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 2010**

As management of Brownsville-Haywood County Emergency Management Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the agency for the fiscal year ended June 30, 2010. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD & A) serves as an introduction to, and should be read in conjunction with, the financial statements and other supplementary information. Summary financial data, key financial and operational indicators are made up of four sections:

1. Introductory Section includes Agency's directory
2. Financial Section includes the MD & A , the independent auditor's report, financial statements and accompanying notes to the financial statements.
3. Internal Control and Compliance Section includes the report on internal control and compliance.
4. Required Supplementary Information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finance, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the Agency's assets, liabilities, with the difference reported as net assets. Overtime, increases or decreases in net assets serves as a useful indicator of whether the financial position of the Agency is improving or deteriorating.
- The Statement of Activities presents information showing how the Agency'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 related cash flows.

Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by contributions of City of Brownsville, Haywood County, Tennessee Emergency Management, and other contributions to recover all or a significant portion of costs.

Fund Financial Statements

A fund is a group or related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with financial related requirements.

Government Funds -- Government funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources at the end of the fiscal year.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Notes to the financial statements are presented on pages 13 - 16 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$241,476 at the close of the most recent fiscal year. A portion of the Agency's net assets (70.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. Although the Agency'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 capital assets cannot be used to liquidate liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont.)
YEAR ENDED JUNE 30, 2010

STATEMENT OF NET ASSETS

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current and Other Assets	\$64,109	\$62,666	\$1,443	102.30%
Capital Assets (net of Accumulated Dep)	<u>183,225</u>	<u>182,055</u>	<u>1,170</u>	100.64%
Total Assets	\$247,334	\$244,721	\$2,613	101.07%
Current Liabilities	5,858	5,971	(113)	98.11%
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	0.00%
Total Liabilities	5,858	5,971	(113)	98.11%
Invested in Capital Assets	183,225	181,178	2,047	101.13%
Unrestricted	<u>58,251</u>	<u>57,572</u>	<u>(115,823)</u>	101.18%
Total Net Assets	<u><u>\$241,476</u></u>	<u><u>\$238,750</u></u>	<u><u>\$2,726</u></u>	101.14%

During the 2010 fiscal year, the Agency's net assets increased by \$2,726. Capital assets increased by \$2,631. This increase was due to increase in capital outlay from Homeland Security Grants for Capital Assets.

Statement of Activities -- Revenues exceeded expenditures in the governmental activities column by \$2,726.

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	Increase (Decrease)	
			<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenue	\$68,471	\$0	\$68,471	0.00%
Non-Operating Revenue	<u>41,080</u>	<u>140,496</u>	<u>(99,416)</u>	29.24%
Total Revenues	109,551	140,496	(30,945)	77.97%
Operating Expenditures	65,846	57,347	8,499	114.82%
Depreciation	<u>40,979</u>	<u>40,919</u>	<u>60</u>	100.15%
Total Expenditures	<u>106,825</u>	<u>98,266</u>	<u>8,559</u>	108.71%
Change in Net Assets	2,726	42,230	(39,504)	-6.46%
Beginning Net Assets	238,750	196,170		
Prior Period Adjustment		350		
Beginning Net Assets - restated	<u> </u>	<u>196,520</u>	<u>(196,520)</u>	0.00%
Ending Net Assets	<u><u>241,476</u></u>	<u><u>238,750</u></u>	<u><u>(196,520)</u></u>	101.14%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)
YEAR ENDED JUNE 30, 2010

COMMENTS ON FUND FINANCIAL STATEMENTS

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

General Fund -- The focus of the Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements.

In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of fiscal year to meet obligations of creditors and operational requirements of the Agency.

Revenues in the general fund decreased by \$30,945 in fiscal 2010 in comparison with 2009 year. The significant changes in the current period were less grant revenue received in the form of donated assets from the TEMA and Homeland Security.

Expenditures in the general fund increased \$8,559 in 2010 in comparison with prior year. The significant changes were the increase in operating and administrative expenses during the fiscal year 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -- At the end of fiscal year, the Agency had invested \$183,225 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was \$253,128. Depreciation expense was \$40,979 during the current fiscal year.

Long-Term Debt -- At the end of current fiscal year of 2010, the Agency had no long-term debt.

REQUEST FOR INFORMATION

This financial report is prepared to provide a general overview of the Agency's finances for citizens, taxpayers, customers, investors, creditors and all other with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional finance information should be addressed to the Brownsville-Haywood County Emergency Management Agency; P. O. Box 668, Brownsville, TN 38012.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENT OF NET ASSETS
June 30, 2010

	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS		
Current Assets		
Cash	\$64,109	\$64,109
Total Current Assets	64,109	64,109
Noncurrent Assets		
Vehicles and Equipment	436,353	436,353
Less Accumulated Depreciation	(253,128)	(253,128)
Total Noncurrent Assets	183,225	183,225
Total Assets	247,334	247,334
LIABILITIES		
Current Liabilities		
Accounts Payable	5,858	5,858
Total Liabilities	5,858	5,858
NET ASSETS		
Invested in Capital Assets	183,225	183,225
Unrestricted	58,251	58,251
Total Net Assets	\$241,476	\$241,476

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

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	General	Total Governmental Funds
ASSETS		
Cash	\$64,109	\$64,109
Total Assets	\$64,109	\$64,109
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	5,858	5,858
Fund Balances:		
Reserved	0	0
Unreserved	58,251	58,251
Total Fund Balances	58,251	\$58,251
Total Liabilities and Fund Balances	\$64,109	

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 governmental funds:

Governmental capital assets	436,353	
Less Accumulated Depreciation	(253,128)	183,225
Net Assets of Governmental Activities		\$241,476

**BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
City of Brownsville	\$18,348	\$18,348
Haywood County	18,348	18,348
TEMA	31,775	31,775
Homeland Security Grant	36,842	36,842
Miscellaneous	4,238	4,238
	<u>109,551</u>	<u>109,551</u>
Expenditures:		
Administrative Salaries	50,869	50,869
Telephone and Utilities	3,054	3,054
Repairs and Maintenance	3,441	3,441
Fuel	2,428	2,428
Supplies	375	375
Office Supplies	1,278	1,278
Travel	467	467
Communications	1,734	1,734
Professional Fees	2,100	2,100
Dues	100	100
Capital Outlay	42,149	42,149
	<u>107,995</u>	<u>107,995</u>
Net Change in Fund Balance	1,556	1,556
Fund Balance - Beginning of Year	<u>56,695</u>	<u>56,695</u>
Fund Balance - End of Year	<u><u>\$58,251</u></u>	<u><u>\$58,251</u></u>

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
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, 2010

Net change in total fund balances per fund financial statements	\$1,556
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives.

Expenditures for capital assets	42,149	
Less Current year depreciation	(40,979)	1,170
Change in Net Assets of Governmental Activities		2,726

**BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
City of Brownsville	\$18,348	\$18,348	\$18,348	\$0
Haywood County	18,348	18,348	18,348	0
TEMA	31,775	31,775	31,775	0
Homeland Security Grant			36,842	36,842
Miscellaneous	3,888	3,888	4,238	350
	<u>72,359</u>	<u>72,359</u>	<u>109,551</u>	<u>37,192</u>
Expenditures:				
Administrative Salaries	51,046	51,046	50,869	177
Telephone	2,010	2,010	1,766	244
Utilities	1,223	1,223	1,288	(65)
Repairs and Maintenance	5,420	5,420	1,686	3,734
Fuel	3,000	3,000	2,428	572
Supplies	400	400	375	25
Office Supplies	1,278	1,278	1,278	0
Travel	500	500	467	33
Professional Fees/Audit	2,100	2,100	2,100	0
Improvements	500	500	0	500
Communications	4,054	4,054	1,734	2,320
Generator Expenses	1,124	1,124	1,124	0
Building Maintenance	631	631	631	0
Dues	50	50	100	(50)
Capital Outlay	0	0	42,149	(42,149)
	<u>73,336</u>	<u>73,336</u>	<u>107,995</u>	<u>(34,659)</u>
Net Change in Fund Balance	(977)	(977)	1,556	2,533
Fund Balance - Beginning			56,695	
Fund Balance - Ending	<u>(\$977)</u>	<u>(\$977)</u>	<u>\$58,251</u>	<u>\$2,533</u>

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I.A.1. INTRODUCTION

The Brownsville-Haywood County Emergency Management Agency (the Agency) is a joint venture between the City of Brownsville and Haywood County. The purpose of the Agency is to coordinate emergency operations and training within Haywood County. The Agency's board is composed of the Mayor of the City of Brownsville, the County Major of Haywood County, and a third individual selected by the other two board members.

Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund types in accordance with an election made by the Agency under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statement and Interpretations), constitutes GAAP for governmental units.

The accounting and reporting framework and the more significant accounting principles and practices of the Brownsville-Haywood County Emergency Management are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Agency's financial activities for the fiscal year ended June 30, 2010.

I.B.1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Agency as a whole. The primary government is presented separately within the financial statements with the focus on the primary government.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities that capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants which finance annual operating activities.

Fund Financial Statements

Fund Financial Statements are provided for the governmental fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

I.B.2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Agency's revenues are recognized when they become measurable and available as net assets. Expenditures are generally recognized when the related liability is incurred. The Agency does not use the encumbrance method of accounting.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

June 30, 2010

I.B.3. FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund - reports as the primary fund of the Agency. This fund is used to account for all financial resources.

I.C.1. CASH AND INVESTMENTS

The Agency reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Agency places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

State statute's authorize the government and the District 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.

Investments for the Agency are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

I.C.2. CAPITAL ASSETS AND DEPRECIATION

The Agency's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Agency generally capitalizes assets with cost of \$1000.00 or more as purchase occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 - 50
Improvements	2 - 50
Furniture, Machinery, and Equipment	3 - 30

I.C.3. FUND EQUITY

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

II.A. BUDGETARY INFORMATION

II.A.1. BUDGET POLICY AND PRACTICE

The Agency's Director submits an annual budget to the Executive Committee. The budget is presented to the Committee for review and discussion of the allocation of resources. Once approved, the Committee may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

**BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (Cont.)**

June 30, 2010

II.B.2. BASIS OF BUDGETING

The fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: salaries, compensation related, services and supplies, computer and equipment supplies, core material, and miscellaneous. Expenditures may not exceed appropriations.

The budget for the operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

III. DETAILED NOTES ON FUND

III.A. ASSETS

III.A.1. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2010, none of the \$64,109.00 is subject to custodial credit risk. All is covered by the FDIC.

III.A.2. RECEIVABLES

Grant receivables are receivables due from federal grants within the next month. Revenue is recorded as earned when eligibility requirements are met. Accounts receivable - City is a receivable due from the City of Brownsville within the next month.

III.A.3. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Capital Assets Depreciated		
	Equipment	Vehicles	Total
Primary Government			
<i>Government Activities</i>			
Balance, June 30, 2009	\$291,684	\$102,520	\$394,204
Increases	42,149	0	42,149
Decreases			
Adjustments	(24,888)	24,888	0
Prior Period Adjustment	0		0
Balance, June 30, 2010	<u>\$308,945</u>	<u>\$127,408</u>	<u>\$436,353</u>
Accumulated Depreciation			
Balance, June 30, 2009	\$176,430	\$35,719	\$212,149
Increases	21,684	19,295	40,979
Decreases			
Adjustments	(16,360)	16,360	0
Prior Period Adjustment			
Balance, June 30, 2009	<u>\$181,754</u>	<u>\$71,374</u>	<u>\$253,128</u>
<i>Governmental Activities</i>			
Capital Assets, Net	<u>\$127,191</u>	<u>\$56,034</u>	<u>\$183,225</u>

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY**NOTES TO THE FINANCIAL STATEMENTS (Cont.)****June 30, 2010**

III.B.3. RISK MANAGEMENT - CLAIMS AND ADJUSTMENTS

The Agency has some exposure to risk in the form of accidents which might occur during rescue operations or loss of property due to accident or acts of nature. The Agency has third party insurance coverage that is adequate in order to cover any occurrence that is likely to occur. There has only been one claim filed in recent years which was completely covered by the insurance policies.

III.B.4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYBudgetary Information

Prior to May 30 each year, the Director formally submits to the County Mayor and City Mayor a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Aldermen to obtain citizen comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance. The annual appropriated budget for the general fund is adopted on a GAAP basis.

Budgeted amounts shown are those originally adopted, as well as the final budgets which reflect amendments by the Board of Aldermen.

Total expenditures for the fund may not exceed the total amount appropriated in the budget ordinance. The director is authorized to transfer budgeted amounts between departments within the fund; any revisions that alter the total appropriations for the fund must be approved through passage of an ordinance by the Board of Aldermen. All appropriations lapse at year end.

Excess of Appropriation Over Expenditures

During the year ended June 30, 2010, the budgeted level of appropriations exceeded expenditures.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
June 30, 2010

Federal Grantor/Program Pass-Through	Grant Period	Federal CFDA Number	Federal Grant Amount	Beginning Balance	Receipts	Expenditures	Receivable Ending Balance
HOMELAND SECURITY/TENNESSEE EMERGENCY MANAGEMENT	07/01/2009 thru 6/30/2010	96.067	\$31,775	\$0	\$31,775	\$31,775	0
U.S. DEPARTMENT OF HOMELAND SECURITY	08/01/2009 thru 05/31/2012	97.067	36,842	<u>0</u>	<u>36,842</u>	<u>36,842</u>	<u>0</u>
				<u>\$0</u>	<u>\$68,617</u>	<u>\$68,617</u>	<u>\$0</u>

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MEMBER:
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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Brownsville - Haywood County Emergency Management Agency

We have audited the financial statements of the governmental activities and each major fund of the Brownsville - Haywood County Emergency Management Agency, as of and for the year ended June 30, 2010, which collectively comprise the Brownsville - Haywood County Emergency Management Agency's basic financial statements and have issued our report thereon dated January 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brownsville - Haywood County Emergency Management Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brownsville - Haywood County Emergency Management Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, City Council, County Commission, TEMA, 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.

Certified Public Accountant
Kenneth Cozart & Associates, CPA, PC

Brownsville, Tennessee
January 12, 2011

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the accompanying financial statements of the Emergency Management Agency.
2. No instances of noncompliance that was material to the financial statements was disclosed during the audit.
3. No instances of material weakness or significant deficiencies were disclosed during the audit.

Findings - Financial Statement Audit

NONE.