BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

BROWNSVILLE, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2008

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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INTRODUCTORY SECTION

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
DIRECTORY
JUNE 30, 2008

BOARD MEMBERS

Robert Parks
Ed Ellington
Franklin Smith
Webb Banks

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

ALEXANDER THOMPSON ARNOLD PLLC

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AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors
Brownsville-Haywood County Emergency Management Agency
Brownsville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the major fund and the discreetly presented component unit of the Brownsville-Haywood County Emergency Management Agency (the Agency), Brownsville, Tennessee, as of and for the year ended June 30, 2008, 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 audits.

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 the 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, the major fund, the discreetly presented component unit and the respective budgetary comparison for the general fund of the Agency, as of June 30, 2008, and the respective changes in financial position thereof for the year then 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 December 22, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 our audit.

The management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Brownsville-Haywood County Emergency Management Agency
Brownsville, Tennessee

Our audit was conducted for the purpose of forming opinions on the accompanying financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and then 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 express no opinion on it.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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. The MD&A represents management's examination and analysis of the Agency's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Agency's strategic plan, budget and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the introductory section, 2) the financial section, and 3) the internal control and compliance section. The introductory section includes the Agency's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control and compliance.

REQUIRED FINANCIAL STATEMENTS

Due to the Agency being a single governmental fund entity, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Agency:

The *Statement of Net Assets and Governmental Fund Balance Sheet* includes all of the Agency's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Agency's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Agency.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the business activities over the course of the fiscal year and information as to how the net assets and fund balances changed during the year. All changes in net assets and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Agency's operations and can be used to determine whether the Agency has successfully recovered all of its costs. This statement also measures the Agency's profitability and credit worthiness.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the differences between the final budget and the actual expenditures for the 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.

The Brownsville-Haywood County Rescue Squad (Rescue Squad) is a nonprofit organization which serves the citizens of Brownsville and Haywood County by providing search and rescue services as well as assistance during disasters and severe weather. The Rescue Squad also is operationally under the Agency. Due to the nature and significance of the Rescue Squad to the operations of the Agency it is considered a component unit which should be discreetly presented. Complete financial statements of the Rescue Squad may be obtained at its administrative office at 111 N. Washington, Brownsville, Tennessee 38012.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

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 $196 thousand at the close of the most recent fiscal year. A portion of the Agency's net assets (84.48%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is 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 the capital assets themselves cannot be used to liquidate these liabilities.

	June 30, 2008	June 30, 2007	$	%
Current and other assets	$ 36,066	$ 76,042	$ (39,976)	-52.57%
Capital assets (net of accumulated depreciation)	165,725	181,178	(15,453)	-8.53%
Total assets	$ 201,791	$ 257,220	$ (55,429)	-21.55%
Current liabilities	5,621	29,063	(23,442)	-80.66%
Long-term liabilities	-	-	-	0.00%
Total liabilities	$ 5,621	$ 29,063	$ (23,442)	-80.66%
Invested in capital assets	$ 165,725	$ 181,178	$ (15,453)	-8.53%
Unrestricted	30,445	46,979	(16,534)	-35.19%
Total net assets	$ 196,170	228,157	$ (31,987)	-14.02%

During the period, the Agency's net assets decreased by $32 thousand. Capital assets decreased by $15.5 thousand. This decrease was due to current year depreciation and the purchase of a generator for the Agency.

Statement of Activities – Revenues in the governmental activities column were exceeded expenses by $12 thousand.

Table 2A

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

			Increase (Decrease)	
	June 30, 2008	June 30, 2007	$	%
Operating revenues	$ -	$ -	$ -	0.00%
Non-operating revenues	72,418	60,256	12,162	20.18%
Total revenues	72,418	60,256	12,162	20.18%
Operating expenditures	63,235	59,170	4,065	6.87%
Depreciation	37,053	34,837	2,216	0.00%
Total expenses	100,288	94,007	6,281	6.68%
Change in net assets	(27,870)	(33,751)	5,881	-17.42%
Beginning net assets	228,157	261,908	(33,751)	-12.89%
Prior Period Adjustment	(4,117)	-	(4,117)	
Beginning net assets - restated	224,040	-	224,040	
Ending net assets	$ 196,170	$ 228,157	$ (31,987)	-14.02%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

COMMENTS ON FUND FINANCIAL STATEMENTS

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

Governmental 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 a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues in the general fund increased by approximately $12 thousand. The only significant changes in the current year were grant revenue received in the form of donated assets from the City, County, and Homeland Security.

Expenditures in the general fund decreased from last year by approximately $27 thousand. The only significant changes were the increase in salaries and the decrease in the capital outlay account for the Agency in the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Agency had invested $166 thousand net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of the period was $171 thousand. Depreciation expense during the period was $37 thousand.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brownsville-Haywood County Emergency Management Agency, P.O. Box 668, Brownsville, TN 38344.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENTS OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2008

	General Fund	Adjustments (Note 3A)	Statement of Net Assets	Component Unit Rescue Squad
ASSETS				
Cash	$ 36,066	$ -	$ 36,066	$ 16,734
Capital assets (net of accumulated depreciation):				
Equipment	-	165,725	165,725	14,736
Total assets	$ 36,066	165,725	201,791	31,470
LIABILITIES				
Due to City of Brownsville	$ 5,621	-	5,621	-
FUND BALANCE				
Unreserved	30,445	(30,445)	-	
Total liabilities and fund balance	$ 36,066			
NET ASSETS				
Invested in capital assets		165,725	165,725	14,736
Unrestricted		30,445	30,445	16,734
Total net assets		$ 165,725	$ 196,170	$ 31,470

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENTS OF ACTIVITES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Adjustments (Note 3B)	Statement of Activities	Component Unit Rescue Squad
Revenues:				
Haywood County	$ 19,788	$ -	$ 19,788	$ 6,500
City of Brownsville	19,788	-	19,788	6,500
State of Tennessee Grant	11,242	-	11,242	
Grant - City of Brownsville	10,800	-	10,800	
Grant - Haywood County	10,800	-	10,800	
Other private contributions	-	-	-	11,610
Total revenue	72,418	-	72,418	24,610
Expenditures:				
Salaries	48,230	-	48,230	-
Repairs and maintenance	3,192	-	3,192	4,020
Depreciation	-	37,053	37,053	3,083
Gasoline	3,816	-	3,816	598
Capital outlay	21,600	(21,600)	-	-
Office supplies	3,983	-	3,983	821
Professional fees	800	-	800	400
Telephone	1,803	-	1,803	-
Travel	292	-	292	118
Dues	50	-	50	
Utilities	1,069	-	1,069	1,703
Other	-	-	-	538
Total expenditures	84,835	15,453	100,288	11,281
Excess (deficiency) of revenue over (under) expenditures	(12,417)	(15,453)	(27,870)	13,329
Net changes in fund balance/net assets	(12,417)	(15,453)	(27,870)	13,329
Fund balance/net assets - beginning	46,979	181,178	228,157	31,641
Prior period adjustment	(4,117)	-	(4,117)	(13,500)
Fund balance/net assets - beginning restated	42,862	181,178	224,040	18,141
Fund balance/net assets - ending	$ 30,445	$ 165,725	$ 196,170	$ 31,470

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget
Revenues:	Original	Final	Actual	Over (Under)
Haywood County	$ 19,788	$ 19,788	$ 19,788	$ -
City of Brownsville	19,788	19,788	19,788	0
State of Tennessee	22,183	22,183	11,242	(10,941)
Grant - City of Brownsville	-	-	10,800	10,800
Grant - Haywood County	-	-	10,800	10,800
Total revenues	61,759	61,759	72,418	10,659
Expenditures:				
Salaries	48,209	48,230	48,230	-
Repairs and Maintenance	2,300	3,192	3,192	-
Gasoline	1,500	3,816	3,816	-
Capital Outlay	-	-	21,600	(21,600)
Office Supplies	700	3,983	3,983	-
Professional Fees	700	800	800	-
Telephone	1,000	1,803	1,803	-
Travel	200	292	292	-
Dues	150	50	50	-
Utilities	4,000	1,069	1,069	-
Total expenditures	58,759	63,235	84,835	(21,600)
Excess (deficiency) of revenue over (under) expenditures	-	-	(12,417)	(10,941)
Net change in fund balance	$ -	$ -	(12,417)	$ (10,941)
Fund balance - beginning			46,979	
Prior period adjustment			(4,117)	
Fund balance - beginning restated			42,862	
Fund balance - ending			$ 30,445	

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 serve the citizens of Brownsville/Haywood County in coordinating emergency operations and training within Haywood County. The Agency's board is composed of the Mayor of the City of Brownsville, the County Mayor of Haywood county, and a third individual selected by the other two board members..

The Brownsville-Haywood County Rescue Squad (Rescue Squad) is a nonprofit organization which serves the citizens of Brownsville and Haywood County by providing search and rescue services as well as assistance during disasters and severe weather. The Rescue Squad also is operationally under the Agency. Due to the nature and significance of the Rescue Squad to the operations of the Agency it is considered a component unit which should be discreetly presented. Complete financial statements of the Rescue Squad may be obtained at its administrative office at 111 N. Washington, Brownsville, Tennessee 38012.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) and the governmental funds financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balances) have been consolidated onto one report. The adjustments from the fund financial statements to the government-wide statements have been consolidated into the middle column of the reports for simplicity.

C. 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 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 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 thirty 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.

The above referenced financial statements have been combined into one statement due to the fact that the Agency is a single fund governmental unit.

The financial statements of the Agency are prepared in accordance with generally accepted accounting principles. The Agency's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Agency's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Assets and Liabilities

Deposits and Investments
Cash consists of currency on hand and demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity that there is insignificant risk of changes in value because of changes in interest rates. Only investments with maturities of less than three months at the time of purchase are considered cash equivalents.

Capital Assets
Property, plant and equipment are stated at original cost. Maintenance, repairs and minor renewals are expensed as incurred. When units are retired the original cost and related accumulated depreciation are removed from the books.

Depreciation of the fixed assets is computed by the straight-line method over the estimated useful lives (5 to 15 years) of the various assets.

Net Assets
Equity is classified as net assets and displayed in the following two components:

- Invested in capital assets – 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.
- Unrestricted – All other net assets that do not meet the description of the above categories.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Agency adopts flexible annual operating budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Agency's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

All unexpended appropriations in the operating budget remaining at the end of the fiscal year lapse.

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Adjustments to the balance sheet of governmental funds to the statement of net assets includes the following items:

When capital assets (land and equipment) that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

Cost of capital assets	$ 336,866
Accumulated depreciation	(171,141)
	$ 165,725

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT(Cont.)

B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

The net change in fund balances of governmental funds differs from the change in net assets for governmental activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital Outlay	$21,600
Depreciation expense	(37,053)
Difference	$ (16,453)

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk
The Agency's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statue required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Agency's agent in the Agency's name, or by the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state polled investment fund, and mutual funds. Statues also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2008 all bank deposits were fully collateralized or insured.

BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS(Cont.)

B. Capital Assets

Capital asset activity during the year was as follows:

Description	June 30, 2007	Additions	Disposals	June 30, 2008
Capital assets				
Vehicles & Equipment	315,266	21,600	-	336,866
Total capital assets being depreciated	315,266	21,600	-	336,866
Less accumulated depreciation for:				
Vehicles & Equipment	134,088	37,053	-	171,141
Total accumulated depreciation	134,088	37,053	-	171,141
Total capital assets, net	$ 181,178	$ (15,453)	$ -	$ 165,725

Depreciation expense amounted to $37,053 for the fiscal year ended June 30, 2008.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

These statements include a prior period adjustment to correct the accrual of an account receivable at June 30, 2007 which did not exist.

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OTHER SUPPLEMENTARY INFORMATION

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Contract Number	CFDA Number	Beginning Balance 7/1/07	Receipts	Expenditures	Ending Balance 6/30/08
U.S. Department of Homeland Security						
Tennessee Emergency Management Agency						
Emergency Management Performance Grant	Z-07-20601	97.042	-	11,242	11,242	-

All expenditures reported are under the modified accrual basis of accounting whereby expenditures are recorded when the related liability is incurred.

INTERNAL CONTROL AND COMPLIANCE SECTION

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Kentucky 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*

Board of Directors
Brownsville-Haywood County Emergency Management Agency
Brownsville, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Brownsville-Haywood County Emergency Management Agency (the Agency), as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 22, 2009. 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 the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 05-02 and 08-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard,* and is described in the accompanying schedule of findings and responses as item 05-02. We noted certain matters that we reported to the management of the Agency, in a separate letter dated December 22, 2009.

The Agency's response to the finding in our audit is described in the schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
December 22, 2009

BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

05-02 Noncompliance with Budget

Condition: The expenditures exceeded amount appropriated within the budget.

Criteria: The Tennessee Code Annotated Section 6-56-203 prohibits expenditures of funds except in accordance with authorized budget.

Effect: Expenditures in excess of the budgeted amounts are unauthorized.

Recommendation: We recommend that the budget be reviewed on a regular basis and that appropriate amendments to the adopted budget be made when necessary.

Management Response: Future budgets will be compared on a monthly basis with actual expenditures and amended as needed to keep expenditures from exceeding budgeted amounts.

08-01 Unrecorded Transaction

Condition: The purchase of a vehicle for the Agency by the City of Brownsville and Haywood County was not recorded as revenue and expenditure.

Criteria: A functioning system of internal controls should capture all forms of revenue provided to the Agency.

Effect: Revenues and expenditure were understated by $21,600.

Recommendation: Financial support indirectly provided to the Agency by the City and County should be recorded in the accounting records.

Management Response: We concur.