

Savannah Housing Authority
Audited Financial Statements
For The Year Ended
June 30, 2010



BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
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FOR THE YEAR ENDED JUNE 30, 2011

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BROWNSVILLE-HAYWOOD COUNTY EMERGENCYMANAGEMENT AGENCY

DIRECTORY

June 30, 2011

MEMBERS OF BOARD OF DIRECTOR

Robert Parks, Director
Franklin Smith, County Mayor
Jo Matherne, City Mayor
Ed Ellington, Chairman of Board
Jimmy Studdard, Member
Frank Faucett, Member
Chris Lea, Chief of Police Department, Member

Atternoy At Law
Michael Banks
Brownsville, TN 38012

Idependent Certified Public Accountants
Cowart Reese Sargent, PC, CPAs
Brownsville, TN 38012



Members: American Institute of Certified Public Accountants | Tennessee Society of Certified Public Accountants
www.crscpa.com

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 the general fund of the Brownsville-Haywood County Emergency Management Agency, ("Agency") as of and for the year ended June 30, 2011, 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 the general fund of the Brownsville - Haywood County Emergency Management Agency as of June 30, 2011 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 September 22, 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.

The Management's Discussion and Analysis is not a required part of 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. 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 it.

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. The Introductory Section and Schedule of Federal Award are presented for additional analysis and 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 basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. .



Cowart Reese Sargent, CPA, PC
Brownsville, Tennessee

September 22, 2011

**BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 2011**

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, 2011. 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 and the governmental fund reporting distinguish functions of the Agency that are supported by contributions from City of Brownsville, Haywood County, Tennessee Emergency Management, and other contributions to cover expenditures and capital outlay 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 related financial 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 - 15 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 \$2234,013 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, and equipment); 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.

STATEMENT OF NET ASSETS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current and Other Assets	\$53,356	\$64,109	(\$10,753)	83.23%
Capital Assets (net of Accumulated Dep)	<u>181,266</u>	<u>183,225</u>	<u>(1,959)</u>	98.93%
Total Assets	\$234,622	\$247,334	(\$12,712)	94.86%
Current Liabilities	609	5,858	5,249	961.90%
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	
Total Liabilities	609	5,858	5,249	961.90%
Invested in Capital Assets	181,266	183,225	(1,959)	98.93%
Unrestricted	<u>52,747</u>	<u>58,281</u>	<u>(5,534)</u>	90.50%
Total Net Assets	<u><u>\$234,013</u></u>	<u><u>\$241,476</u></u>	<u><u>(\$7,463)</u></u>	96.91%

During the 2011 fiscal year, the Agency's net assets decreased by \$7,463. Capital assets net of accumulated depreciation decreased by \$1,959. This decrease was due to increase in depreciation of the capital assets. Depreciation for the current fiscal year exceeded the capital purchased.

Statement of Activities -- Expenditures exceeded revenues in the governmental activities column by \$5,504 and in government-wide by \$7,463.

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u> <u>\$ Variance</u>	<u>% Variance</u>
Operating Revenue	\$68,910	\$68,471	\$439	100.64%
Non-Operating Revenue	<u>45,319</u>	<u>41,080</u>	<u>4,239</u>	110.32%
Total Revenues	114,229	109,551	4,678	104.27%
Operating Expenditures	76,557	65,846	(10,711)	86.01%
Depreciation	<u>45,136</u>	<u>40,979</u>	<u>(4,157)</u>	90.79%
Total Expenditures	<u>121,693</u>	<u>106,825</u>	<u>(14,868)</u>	87.78%
Change in Net Assets	(7,464)	2,726	(10,190)	-273.81%
Beginning Net Assets	241,476	238,750	2,726	101.14%
Ending Net Assets	<u><u>234,012</u></u>	<u><u>241,476</u></u>	<u><u>(7,464)</u></u>	96.91%

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 increased by \$4,678 in fiscal 2011 in comparison with 2010 year. The significant changes in the current period were less grant revenue received from the TEMA and Homeland Security.

Expenditures in the general fund decreased by \$14,867 in 2011 in comparison with prior year. The significant changes were the decrease in operating and administrative and repairs and maintenance expenses during the fiscal year 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -- At the end of fiscal year, the Agency had invested \$181,266 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was \$298,263. Depreciation expense was \$45,136 during the current fiscal year.

Long-Term Debt -- At the end of current fiscal year of 2011 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, 2011

	<u>GOVERNMENTAL</u>	
	<u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS		
Current Assets		
Cash	\$53,356	\$53,356
Total Current Assets	<u>53,356</u>	<u>53,356</u>
Noncurrent Assets		
Vehicles and Equipment	479,529	479,529
Less Accumulated Depreciation	<u>(298,263)</u>	<u>(298,263)</u>
Total Noncurrent Assets	<u>181,266</u>	<u>181,266</u>
Total Assets	<u>234,622</u>	<u>234,622</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	<u>609</u>	<u>609</u>
Total Liabilities	<u>609</u>	<u>609</u>
NET ASSETS		
Invested in Capital Assets	181,266	181,266
Unrestricted	<u>52,747</u>	<u>52,747</u>
Total Net Assets	<u><u>\$234,013</u></u>	<u><u>\$234,013</u></u>

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

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>City</u>	<u>County</u>	<u>Capital Grants</u>	<u>Operating Grants</u>	<u>Primary Government</u>	
						<u>Governmental Activities</u>	<u>Total</u>
Functions and Programs							
Primary Government:							
Governmental Activities:							
General Government	121,692	\$17,103	17,103	45,319	33,858	(8,309)	(8,309)
Total Government Activities	121,692	17,103	17,103	45,319	33,858	(8,309)	(8,309)
Total Primary Government	<u>\$121,692</u>	<u>\$17,103</u>	<u>\$17,103</u>	<u>\$45,319</u>	<u>\$33,858</u>	(8,309)	(8,309)
General Revenues:							
Donations and Other Sources						846	846
Total General Revenues						846	846
Change in Net Assets						(7,463)	(7,463)
Fund Balance - Beginning						241,476	241,476
Net Assets - Ending						<u>\$234,013</u>	<u>\$234,013</u>

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

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Total Governmental Funds
ASSETS		
Cash	\$53,356	\$53,356
Total Assets	\$53,356	\$53,356
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	609	609
Total Liabilities	609	609
Fund Balances:		
Unassigned	52,747	52,747
Total Fund Balances	52,747	52,747
Total Liabilities and Fund Balances	\$53,356	

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	479,529	
Less Accumulated Depreciation	(298,263)	181,266
Net Assets of Governmental Activities		\$234,013

**BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
City of Brownsville	\$17,103	\$17,103
Haywood County	17,103	17,103
TEMA	33,858	33,858
Homeland Security Grant	45,319	45,319
Miscellaneous	846	846
	<u>114,229</u>	<u>114,229</u>
Expenditures:		
Administrative Salaries	49,654	49,654
Telephone	1,294	1,294
Utilities	1,034	1,034
General Repairs	300	300
Repairs and Maintenance - Vehicles	3,455	3,455
Fuel	3,592	3,592
Supplies	418	418
Office Supplies	290	290
Travel	500	500
Professional Fees/Audit	1,000	1,000
Generator Expenses	1,250	1,250
Building Maintenance	2,924	2,924
Repairs and Maintenance - Sirens	8,487	8,487
Dues	215	215
Homeland Security Supplies	2,144	2,144
Capital Outlay	43,176	43,176
	<u>119,733</u>	<u>119,733</u>
Net Change in Fund Balance	(5,504)	(5,504)
Fund Balance - Beginning of Year	<u>58,251</u>	<u>58,251</u>
Fund Balance - End of Year	<u><u>\$52,747</u></u>	<u><u>\$52,747</u></u>

Notes to Financial Statements are an Integral Part of this Statement.

**BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVEUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in total fund balances per fund financial statements		(\$5,504)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	43,176	
Less Current year depreciation	<u>(45,136)</u>	<u>(1,960)</u>
Change in Net Assets of Governmental Activities		<u><u>(\$7,464)</u></u>

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
City of Brownsville	\$17,103	\$17,103	\$17,103	\$0
Haywood County	17,103	17,103	17,103	0
TEMA	34,000	34,000	33,858	(142)
Homeland Security Grant			45,319	45,319
Miscellaneous		0	846	846
	<u>68,206</u>	<u>68,206</u>	<u>114,229</u>	<u>46,023</u>
Total Revenues				
Expenditures:				
Administrative Salaries	51,046	51,046	49,654	1,392
Telephone	2,210	2,210	1,294	916
Utilities	1,500	1,500	1,034	466
General Repairs	800	800	300	500
Repairs and Maintenance - Vehicles	1,200	1,200	3,455	(2,255)
Fuel	2,700	2,700	3,592	(892)
Supplies		0	418	(418)
Office Supplies	400	400	290	110
Travel	300	300	500	(200)
Professional Fees/Audit	1,200	1,200	1,000	200
Improvements	400	400	0	400
Communications	3,200	3,200	0	3,200
Generator Expenses	1,000	1,000	1,250	(250)
Building Maintenance	800	800	2,924	(2,124)
Repairs and Maintenance - Sirens	6,387	6,387	8,487	(2,100)
Dues	50	50	215	(165)
Homeland Security Supplies	0	0	2,144	(2,144)
Capital Outlay	0	0	43,176	(43,176)
	<u>73,193</u>	<u>73,193</u>	<u>119,733</u>	<u>(46,540)</u>
Total Expenditures				
Net Change in Fund Balance	(4,987)	(4,987)	(5,504)	(517)
Fund Balance - Beginning			58,251	
Fund Balance - Ending	<u>(\$4,987)</u>	<u>(\$4,987)</u>	<u>\$52,747</u>	<u>(\$517)</u>

Notes to Financial Statements are an Integral Part of This Statement.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 Mayor of Haywood County, and a third individual selected by the other two board members.

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with 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. subsequent GASB pronouncements (Statement and Interpretations), constitutes GAAP for government 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, 2011.

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.

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 purchase to be cash equivalents. The Agency places its temporary cash investments with high credit quality financial institutions. At times such investment 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 \$1,000.00 or more as purchase occurs. The cost of normal maintenance and repairs that do not add to the asset value or materiality 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 BALANCES - GOVERNMENTAL FUNDS

The Agency implemented GASB No 54, Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Board, the highest level of decision making authority. Commitments may be modified or rescinded only through actions approved by the Board.
- Assigned – includes amounts that the Agency intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The Agency reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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 board 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 the estimated revenues and appropriations.

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. Expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

III. DETAILED NOTES ON FUNDS

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, 2011, none of the \$53,356.00 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
<i>Primary Government</i>			
<i>Government Activities</i>			
Balance, June 30, 2010	\$308,945	\$127,408	\$436,353
Increases	43,176		43,176
Decreases			0
Adjustments			0
Balance, June 30, 2011	<u>\$352,121</u>	<u>\$127,408</u>	<u>\$479,529</u>
<i>Accumulated Depreciation</i>			
Balance, June 30, 2010	\$181,754	\$71,374	\$253,128
Increases	25,844	19,295	45,139
Decreases			0
Adjustments			0
Balance, June 30, 2011	<u>\$207,598</u>	<u>\$90,669</u>	<u>\$298,267</u>
<i>Governmental Activities</i>			
Capital Assets, Net	<u>\$144,523</u>	<u>\$36,739</u>	<u>\$181,262</u>

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 ACCOUNTABILITY

Budgetary 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 citizens' 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 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 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, 2011, the budgeted level of appropriations exceeded expenditures.

IV. SUBSEQUENT EVENTS

Management had reviewed events through September 22, 2011, the earliest date the financials were available to be issued.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
June 30, 2011

Federal Grantor/Program Pass-Through	Grant Period	Federal CFDA Number	Federal Grant Amount	Receivable Beginning Balance	Receipts	Expenditures	Receivable Ending Balance
HOMELAND SECURITY/TENNESSEE EMERGENCY MANAGEMENT	08/01/2010 thru 05/31/2013	96.067	\$45,319	\$0	\$45,319	\$45,319	0
				<u>\$0</u>	<u>\$45,319</u>	<u>\$45,319</u>	<u>\$0</u>

Note 1.

The above schedule is presented on the same basis of accounting as described in Note IB to the financial statements.



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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**

The Board of Directors
Brownsville-Haywood County Emergency Management Agency

We have audited the financial statements of the Brownsville-Haywood County Emergency Management Agency, ("Agency"), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 22, 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 the 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 reasonable possibility that a material misstatement of the entity's financial statements will 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 to 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings.

Brownsville-Haywood County Emergency Management Agency's response to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Agency's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the Brownsville-Haywood County Emergency Management Agency's audit committee, management, County Commission, City Commission, 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.



Cowart Reese Sargent, CPA, PC
Brownsville, Tennessee

September 22, 2011

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

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. One instance of Non-Compliance 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

1.) 2011 - 01

Condition: Expenditures exceeded appropriation allowed by the budget resulting an instance of noncompliance in the General Fund.

Criteria: Tennessee Code Annotated 6-56-203 prohibits expenditures of funds except in accordance with an authorized budget. Further it requires a budget for all funds, except proprietary and fiduciary.

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

Recommendations: We recommend that budgets be reviewed on a regular basis and amendments be made when necessary.

Management: We Concur. In the future, we will monitor expenditures, amend the budget when necessary and to adhere to the budget that is approved.

Disposition of Prior Year Findings:

NONE.