BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

AUDITED FINANCIAL STATEMENTS

For the Fiscal Year Ended

June 30, 2012

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Pages
Financial Section	
Introductory -- Board of Directors	1
Independent Auditor's Report	2
Management Discussion & Analysis	4
Basic Financial Statement:	
Government-wide Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet - Governmental Funds	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenue, Expenditure and Changes in Fund Balance - Budgetary Comparisc	11
Notes to the Financial Statements	12
Other Report Section:	
Schedule of Federal Award	15
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	16
Schedule of Findings	18

BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

DIRECTORY
June 30, 2012

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

Attorney At Law
Michael Banks
Brownsville, TN 38012

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

CØWART REESE
SARGENT
Certified Public Accountants, P.C.

Members: American Institute of Certified Public Accountants | Tennessee Society of Certified Public Accountants
Governmental Audit Quality Center | Private Companies Practice Section
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, 2012, 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, 2012 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 June 27, 2013 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.

367-A N. Parkway, Suite 1
Jackson, TN 38305
(731)668-1806 / fax (731)668-9543

309 N. Market St
Paris, TN 38242
(731)642-1755 / fax (731)644-0413

304 Broadway St
Martin, TN 38237
(731)587-4221 / fax (731)587-9474

29 N. Lafayette Ave
Brownsville, TN 38012
(731)772-2273 / fax (731)772-2275

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

Cowart Reese Sargent, CPA, PC
Brownsville, Tennessee

June 27, 2013

BROWNSVILLE-HAYWOOD COUNTY EMERGENCY MANAGEMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 2012

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, 2012. 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 impendent 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 even 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 $186,253 at the close of the most recent fiscal year. A portion of the Agency's net assets (81%) 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

	June 30, 2012	June 30, 2011	$ Variance	% Variance
Current and Other Assets	$ 35,886	$ 53,356	$ (17,470)	67.26%
Capital Assets (net of Accumulated Dep)	150,367	181,266	(30,899)	82.95%
Total Assets	186,253	234,622	(48,369)	79.38%
Current Liabilities	-	609	609	0.00%
Long-term Liabilities	-	-	-	
Total Liabilities	-	609	609	0.00%
Invested in Capital Assets	150,367	181,266	(30,899)	82.95%
Unrestricted	35,886	52,747	(16,861)	68.03%
Total Net Assets	$ 186,253	$ 234,013	$ (47,760)	79.59%

During the 2012 fiscal year, the Agency's net assets decreased by $47,760. Capital assets net of accumulated depreciation decreased by $30,899. 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 $16,861 and in government-wide by $47,760.

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

	June 30, 2012	June 30, 2011	Increase (Decrease) $ Variance	% Variance
Operating Revenue	$ 62,993	$ 68,910	$ (5,917)	91.41%
Non-Operating Revenue	-	45,319	(45,319)	0.00%
Total Revenues	62,993	114,229	(51,236)	55.15%
Operating Expenditures	62,384	76,556	14,172	122.72%
Depreciation	48,369	45,136	(3,233)	93.32%
Total Expenditures	110,753	121,692	10,939	109.88%
Change in Net Assets	(47,760)	(7,463)	(40,297)	639.96%
Beginning Net Assets	234,013	241,476	(7,463)	96.91%
Ending Net Assets	$ 186,253	$ 234,013	$ (47,760)	79.59%

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 meat obligations of creditors and operational requirements of the Agency.

Revenues in the general fund decreased by $51,236 in fiscal 2012 in comparison with 2011 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 $10,939 in 2012 in comparison with prior year. The significant changes were the decrease in operating and administrative and repairs and maintenance expenses during the fiscal year 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -- At the end of fiscal year, the Agency had invested $150,367 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was $346,632. Depreciation expense was $48,369 during the current fiscal year.

Long-Term Debt -- At the end of current fiscal year of 2012 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, 2012

	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS		
Current Assets		
Cash	$ 35,886	$ 35,886
Total Current Assets	35,886	35,886
Noncurrent Assets		
Vehicles and Equipment	496,999	496,999
Less Accumulated Depreciation	(346,632)	(346,632)
Total Noncurrent Assets	150,367	150,367
Total Assets	186,253	186,253
LIABILITIES		
Current Liabilities	-	-
Total Liabilities	-	-
NET ASSETS		
Invested in Capital Assets	150,367	150,367
Unrestricted	35,886	35,886
Total Net Assets	$ 186,253	$ 186,253

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Functions and Programs	Expenses	Revenues: Transfer from County	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Total
Primary Government:				
Governmental Activities:				
General Government	110,753	62,993	(47,760)	(47,760)
Total Government Activities	110,753	62,993	(47,760)	(47,760)
Total Primary Government	110,753	62,993	(47,760)	(47,760)
		General Revenues:	-	-
		Change in Net Assets	(47,760)	(47,760)
		Fund Balance - Beginning	234,013	234,013
		Net Assets - Ending	$ 186,253	$ 186,253

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Total Governmental Funds
ASSETS		
Cash	$ 35,886	$ 35,886
Total Assets	35,886	35,886
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	-	-
Total Liabilities	-	-
Fund Balances:		
Unassigned	35,886	35,886
Total Fund Balances	35,886	35,886
Total Liabilities and Fund Balances	$ 35,886	

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	496,999	
Less Accumulated Depreciation	(346,632)	150,367
Net Assets of Governmental Activities		$ 186,253

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

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	General	Total Governmental Funds
Revenues:		
Transfer from County	$ 62,993	$ 62,993
Total Revenues	$ 62,993	$ 62,993
Expenditures:		
Administrative Salaries	$ 41,612	$ 41,612
Utilities	1,120	1,120
General Repairs	94	94
Repairs and Maintenance - Vehicles	813	813
Fuel	2,359	2,359
Insurance	3,038	3,038
Payroll Taxes	3,318	3,318
Other Fringe Benefits	1,680	1,680
Unemployment	180	180
Office Supplies	536	536
Travel	487	487
Professional Fees/Audit	2,000	2,000
Generator Expenses	1,079	1,079
Building Maintenance	250	250
Communication	3,819	3,819
Capital Outlay	17,470	17,470
Total Expenditures	$ 79,854	$ 79,854
Net Change in Fund Balance	(16,861)	(16,861)
Fund Balance - Beginning of Year	52,747	52,747
Fund Balance - End of Year	$ 35,886	$ 35,886

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, 2012

Net change in total fund balances per fund financial statements		(16,861)
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	17,470	
Less Current year depreciation	(48,369)	(30,899)
Change in Net Assets of Governmental Activities		$ (47,760)

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

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Transfer from County	62,993	62,993	62,993	-
Total Revenues	$ 62,993	$ 62,993	$ 62,993	$ -
Expenditures:				
Administrative Salaries	43,553	43,553	41,612	1,941
Utilities	2,900	2,900	1,120	1,780
General Repairs	-	-	94	(94)
Repairs and Maintenance - Vehicles	1,200	1,200	813	387
Fuel	2,700	2,700	2,359	341
Insurance	2,041	2,041	3,037	(996)
Payroll Taxes	3,460	3,460	3,319	141
Other Fringe Benefits	1,680	1,680	1,680	-
Unemployment	112	112	180	(68)
Supplies	400	400	-	400
Office Supplies	-	-	536	(536)
Travel	300	300	487	(187)
Professional Fees/Audit	1,200	1,200	2,000	(800)
Communications	5,410	5,410	3,819	1,591
Generator Expenses	1,800	1,800	1,079	721
Building Maintenance	1,200	1,200	250	950
Dues	50	50	-	50
Capital Outlay	-	-	17,470	(17,470)
Total Expenditures	$ 68,006	$ 68,006	$ 79,855	$ (11,849)
Net Change in Fund Balance	(5,013)	(5,013)	(16,861)	(11,849)
Fund Balance - Beginning			52,747	
Fund Balance - Ending	$ (5,013)	$ (5,013)	$ 35,886	$ (11,849)

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, 2012.

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. he 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 2012. 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 actionss 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, 2012, none of the $35,886 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 re 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			
Government Activities			
Balance, June 30, 2011	$ 344,337	$ 152,662	$ 496,999
Increases	-	-	-
Decreases		-	-
Adjustments	-	-	-
Balance, June 30, 2012	$ 344,337	$ 152,662	$ 496,999
Accumulated Depreciation			
Balance, June 30, 2011	207,545	90,718	298,263
Increases	27,395	20,974	48,369
Decreases	-	-	-
Adjustments	-	-	-
Balance, June 30, 2012	$ 234,940	$ 111,692	$ 346,632
Governmental Activities			
Capital Assets, Net	$ 109,397	$ 40,970	$ 150,367

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, 2012, the budgeted level of appropriations exceeded expenditures.

IV. SUBSEQUENT EVENTS

Management had reviewed events through June 27, 2013, the earlies date the financials were available to be issued.

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
June 30, 2012

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	-	45,319	45,319	-
				$ -	$ 45,319	$ 45,319	$ -

Note 1.

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

CØWART REESE
SARGENT
Certified Public Accountants, P.C.

Members: American Institute of Certified Public Accountants | Tennessee Society of Certified Public Accountants
Governmental Audit Quality Center | Private Companies Practice Section
www.crscpa.com

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, 2012, and have issued our report thereon dated June 27, 2013. 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.

367-A N. Parkway, Suite 1
Jackson, TN 38305
(731)668-1806 / fax (731)668-9543

309 N. Market St
Paris, TN 38242
(731)642-1755 / fax (731)644-0413

304 Broadway St
Martin, TN 38237
(731)587-4221 / fax (731)587-9474

29 N. Lafayette Ave
Brownsville, TN 38012
(731)772-2273 / fax (731)772-2275

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

Cowart Reese Sargent, CPA, PC
Brownsville, Tennessee

June 27, 2013

BROWNSVILLE - HAYWOOD COUNTY EMERGENCY MANAGEMENT AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

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.) 2012 - 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.