

**BROWNSVILLE-HAYWOOD COUNTY
RESCUE SQUAD**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2015

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD

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June 30, 2015

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BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
DIRECTORY - UNAUDITED
June 30, 2015

MEMBERS OF THE BOARD OF DIRECTORS

Robert Parks, Director
Bill Rawls, City Mayor
Franklin Smith, County Mayor
Frank Fawcett
Ed Ellington
Melvin Bond

ATTORNEY AT LAW

Michael J. Banks

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Cowart Reese Sargent, CPAs, PC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brownsville-Haywood County Rescue Squad
Brownsville, TN

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brownsville-Haywood County Rescue Squad (the Rescue Squad), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Rescue Squad's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Rescue Squad as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rescue Squad's basic financial statements. The directory - unaudited is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The directory - unaudited 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016 on our consideration of the Rescue Squad's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the 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* in considering the Rescue Squad's internal control over financial reporting and compliance.



Cowart Reese Sargent, CPAs, PC
Brownsville, TN
February 26, 2016

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

As management of Brownsville-Haywood County Rescue Squad (the Rescue Squad), we offer readers of the Rescue Squad's financial statements this narrative overview and analysis of the financial activities of the Rescue Squad for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided.

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements. MD&A focuses on current year activities and resulting changes.

FINANCIAL HIGHLIGHTS

- The assets of the Rescue Squad exceeded its liabilities at the close of the fiscal year by \$47,617 (net position). Of this amount \$38,025 (unrestricted net position) may be used to meet the Rescue Squad's ongoing obligations to citizens and creditors.
- The Rescue Squad's total net position increased by \$8,400 during 2015, compared to decreasing by \$2,619 during 2014.
- As of the close of the fiscal year, the Rescue Squad's governmental fund reported ending fund balances of \$38,025. This was an increase of \$9,723, or 34.35%, over the prior year. The entire \$38,025 of the ending fund balance was unassigned and available for current use by the Rescue Squad.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Rescue Squad's basic financial statements. The Rescue Squad's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

- *The Statement of Net Position* presents information on all of the Rescue Squad's assets, liabilities, with the difference reported as the net position. Overtime, increases or decreases in net position serve as a useful indicator of whether the financial position of the Rescue Squad is improving or deteriorating.
- *The Statement of Activities* presents information showing how the Rescue Squad's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Government-wide financial statements further assists the reader in their evaluation by distinguishing functions of the Rescue Squad into Governmental Activities that are principally supported by contributions from the City of Brownsville, Haywood County, United Way, and other contributions to recover all or a significant portion of costs.

Fund Financial Statements

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. The Rescue Squad uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Rescue Squad's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Rescue Squad adopts an annual appropriated budget for the governmental fund.

Notes to the Financial Statements - The notes 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 Rescue Squad'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 as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Rescue Squad, assets exceeded liabilities by \$47,617 at the close of the most recent fiscal year.

A portion of the Rescue Squad's net position (20.14%) reflects its investment in capital assets (e.g. machinery, equipment, and buildings) less accumulated depreciation. The remaining balance of net position representing unrestricted net position (79.86%) may be used to meet the Rescue Squad's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Rescue Squad is able to report positive balances in both categories of net position.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

STATEMENT OF NET POSITION

	June 30, 2015	June 30, 2014	\$ Variance	% Variance
Current and Other Assets	\$ 38,025	\$ 33,003	\$ 5,022	15.22%
Capital Assets (net of Accumulated Dep)	9,592	10,915	(1,323)	-12.12%
Total Assets	<u>\$ 47,617</u>	<u>\$ 43,918</u>	<u>\$ 3,699</u>	8.42%
Current Liabilities	\$ -	\$ 4,701	\$ (4,701)	-100.00%
Total Liabilities	<u>\$ -</u>	<u>\$ 4,701</u>	<u>\$ (4,701)</u>	-100.00%
Investment in Capital Assets	\$ 9,592	\$ 10,915	\$ (1,323)	-12.12%
Unrestricted	38,025	28,302	9,723	34.35%
Total Net Position	<u>\$ 47,617</u>	<u>\$ 39,217</u>	<u>\$ 8,400</u>	21.42%

During the 2015 fiscal year, the Rescue Squad's net position increased by \$8,400.

Statement of Activities - Revenues exceeded expenses by \$8,400.

STATEMENT OF ACTIVITIES

	June 30, 2015	June 30, 2014	\$ Variance	% Variance
City and County Contributions	\$ 20,000	\$ 15,000	\$ 5,000	33.33%
Operating Contributions	351	1,500	(1,149)	-76.60%
Gain on disposal of equipment	3,355	500	2,855	571.00%
Total Revenues	<u>23,706</u>	<u>17,000</u>	<u>6,706</u>	39.45%
Operating Expenses	13,983	17,383	(3,400)	-19.56%
Depreciation	1,323	2,236	(913)	-40.83%
Total Expenses	<u>15,306</u>	<u>19,619</u>	<u>(4,313)</u>	-21.98%
Change in Net Position	8,400	(2,619)	11,019	-420.73%
Beginning Net Position	<u>39,217</u>	<u>41,836</u>	<u>(2,619)</u>	-6.26%
Ending Net Position	<u>\$ 47,617</u>	<u>\$ 39,217</u>	<u>\$ 8,400</u>	21.42%

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

Governmental funds - The focus of the Rescue Squad's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Rescue Squad's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements and discussion, the overall financial position of the Rescue Squad has improved during the period.

General fund balance was \$38,025 at the end of the current fiscal year. All of that balance is available to meet the day-to-day needs of the Rescue Squad.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Revenues in the general fund increased over last year by \$6,706. The reason for this change is primarily due to increased funds from the city.

Other revenues were within reasonable variances from last year. A budget comparison statement for these funds has been provided with the basic financial statements to demonstrate compliance with the budgets.

Budgetary highlights - The general fund had no budget amendments. Actual revenues were over budgeted amounts by \$3,706 in the general fund. Significant variances are as follows:

- Proceeds from sale of equipment were not budgeted; however, \$3,355 was received from the sale of two vehicles.

Expenditures were \$6,017 under budget in the general fund. Significant variances were as follows:

- Insurance was under budget by \$1,872.
- Christmas parade was under by \$1,036.
- Repairs and maintenance were over budget by \$1,170.

There were no other significant variances in revenues and expenditures other than the ones that have been detailed above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year, Rescue Squad had invested \$9,592 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was \$42,379. Depreciation expense during the current period was \$1,323.

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

REQUEST FOR INFORMATION

This financial report is prepared to provide a general overview of the Rescue Squad's finances for citizens, taxpayers, customers, investors, creditors, and all other with an interest in the Rescue Squad's finances.

Questions concerning any of the information provided in this report or requests for additional finance information should refer to the following address:

Brownsville-Haywood County Rescue Squad
P.O. Box 668
111 N. Washington
Brownsville, TN 38012

BROWNSVILLE - HAYWOOD COUNTY RESCUE SQUAD
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 33,025
Due from City of Brownsville	2,500
Due from Haywood County	2,500
Total Current Assets	38,025
Capital Assets	
Equipment	51,971
Less Accumulated Depreciation	(42,379)
Total Capital Assets	9,592
Total Assets	\$ 47,617
NET POSITION	
Investment in Capital Assets	\$ 9,592
Unrestricted	38,025
Total Net Position	\$ 47,617

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

BROWNSVILLE - HAYWOOD COUNTY RESCUE SQUAD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	<u>Total</u>
		<u>City</u>	<u>County</u>	<u>Operating Contributions</u>	<u>Primary Government Governmental Activities</u>	
Primary Government:						
Governmental Activities:						
General Government	\$ 15,306	\$ 10,000	\$ 10,000	\$ 351	\$ 5,045	\$ 5,045
Total Government Activities	<u>15,306</u>	<u>10,000</u>	<u>10,000</u>	<u>351</u>	<u>5,045</u>	<u>5,045</u>
Total Primary Government	<u>\$ 15,306</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 351</u>	<u>5,045</u>	<u>5,045</u>
General Revenues:						
Gain on disposal of equipment					<u>3,355</u>	<u>3,355</u>
Total General Revenues					<u>3,355</u>	<u>3,355</u>
Change in Net Position					8,400	8,400
Net Position, Beginning					<u>39,217</u>	<u>39,217</u>
Net Position, Ending					<u>\$ 47,617</u>	<u>\$ 47,617</u>

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

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
BALANCE SHEET - GOVERNMENTAL FUND AND RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
June 30, 2015

	General Fund	Total Governmental Fund
ASSETS		
Cash	\$ 33,025	\$ 33,025
Due from City of Brownsville	2,500	2,500
Due from Haywood County	2,500	2,500
Total Assets	\$ 38,025	\$ 38,025
FUND BALANCE		
Unassigned	\$ 38,025	\$ 38,025
Total Fund Balance	38,025	38,025
Total Fund Balance	\$ 38,025	38,025

Amounts reported for governmental activities in the statement of net position 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	\$ 51,971	
Less Accumulated Depreciation	(42,379)	9,592
Net Position of Governmental Activities		\$ 47,617

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

BROWNSVILLE - HAYWOOD COUNTY RESCUE SQUAD
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2015

	General
Revenues:	
City of Brownsville	\$ 10,000
Haywood County	10,000
Proceeds from sale of equipment	3,355
United Way	351
Total Revenues	23,706
 Expenditures:	
Utilities	1,772
Repairs and Maintenance	5,170
Supplies	230
Fuel	727
Professional Fees	1,200
Insurance	3,378
Training	250
Safety Equipment	165
Christmas Parade	964
Call Out Expenses	65
Equipment	62
Total Expenditures	13,983
Net Change in Fund Balance	9,723
Fund Balance - Beginning of Year	28,302
Fund Balance - End of Year	\$ 38,025

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

**BROWNSVILLE - HAYWOOD COUNTY RESCUE SQUAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Net change in total fund balances per fund financial statements	\$ 9,723
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Amounts reported for governmental activities in the statement of activities are different because:

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

Less Current year depreciation	<u>(1,323)</u>
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Change in Net Position of Governmental Funds	<u><u>\$ 8,400</u></u>
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The accompanying notes are an integral part of these financial statements.

BROWNSVILLE - HAYWOOD COUNTY RESCUE SQUAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
City of Brownsville	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Haywood County	10,000	10,000	10,000	-
Proceeds from sale of equipment	-	-	3,355	3,355
United Way	-	-	351	351
	<u>20,000</u>	<u>20,000</u>	<u>23,706</u>	<u>3,706</u>
Total Revenues				
Expenditures:				
Utilities	2,000	2,000	1,772	228
Repairs and Maintenance	4,000	4,000	5,170	(1,170)
Fuel	1,450	1,450	727	723
Supplies	400	400	230	170
Professional Fees	1,200	1,200	1,200	-
Insurance	5,250	5,250	3,378	1,872
Training	500	500	250	250
Uniforms	800	800	-	800
Safety Equipment	400	400	165	235
Travel	500	500	-	500
Christmas Parade	2,000	2,000	964	1,036
Call Out Expenses	1,000	1,000	65	935
Equipment - Capital Outlay	500	500	62	438
	<u>20,000</u>	<u>20,000</u>	<u>13,983</u>	<u>6,017</u>
Total Expenditures				
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	9,723	<u>\$ 9,723</u>
Fund Balance - Beginning			<u>28,302</u>	
Fund Balance - Ending			<u>\$ 38,025</u>	

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

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

I.A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A.1. INTRODUCTION

The Brownsville-Haywood County Rescue Squad (the Rescue Squad) is a joint venture between the City of Brownsville and Haywood County. The purpose of the Rescue Squad is to serve the citizens of Brownsville/Haywood County in search and rescue, drowning, flooding, evacuations, and clearing roads due to severe weather. The Board of Directors of Rescue Squad is composed of the Mayor of City of Brownsville, Mayor of Haywood County, and four board members.

The accounting and reporting framework and the more significant accounting principles and practices of the Brownsville-Haywood County Rescue Squad are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Rescue Squad's financial activities for the fiscal year ended June 30, 2015.

I.A.2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Rescue Squad 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) contributions from the city and county and (2) other operating contributions which provide financial resources for annual operating activities and capital expenses.

Fund Financial Statements

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

I.A.3. 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.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

I.A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I.A.3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Governmental fund financial statements are reported 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, not to exceed 60 days. Expenditures are generally recognized when the related liability is incurred. The Rescue Squad does not use the encumbrance method of accounting.

I.A.4. FUND TYPES AND MAJOR FUNDS

Governmental Funds

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

I.A.5. CASH AND CASH EQUIVALENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value.

I.A.6. RECEIVABLES AND PAYABLES

During the course of operations, several transactions occur between the Rescue Squad and the City of Brownsville and Haywood County either in the form of quarterly contributions to the Rescue Squad or goods provided or services rendered from the City of Brownsville and Haywood County. These receivables and payables are classified as "due from the City of Brownsville," "due from Haywood County," "due to the City of Brownsville," or "due to Haywood County." As of June 30, 2015, due from Haywood County and due from City of Brownsville each existed for \$2,500.

I.A.7. CAPITAL ASSETS AND DEPRECIATION

The Rescue Squad's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Rescue Squad generally capitalizes assets with cost of \$1,000 or more as purchases occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

Buildings and Improvements	5 - 40
Furniture, Machinery, and Equipment	5 - 10

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

I.A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I.A.8. FUND EQUITY

Governmental funds utilize a fund balance representation for fund equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned. A description of each category is provided below.

Nonspendable Fund Balance - amounts that are not in spendable form (such as inventory) or are required to be maintained in tact.

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance - amounts constrained to specific purposes by the Rescue Squad itself, using its highest level of decision-making authority, by the Board. To be reported as committed, amounts cannot be used for any other purposes unless the Board takes the same highest level action to remove or change the constraint.

Assigned Fund Balance - amounts the Rescue Squad intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority, which at this time there is none.

Unassigned Fund Balance - amounts that are available for any purpose. General Fund is the only fund that should report a negative unassigned fund balance amount.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purpose of capital assets, construction, debt service, or for other purposes).

The details of the fund balance are included in the Balance Sheet - Governmental Funds as listed in the table of contents.

Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Board or the assignment has been changed by the Mayor. Decreases to fund balance first reduce Restricted Fund Balance; then Committed Fund Balance; then Assigned Fund Balance, and finally Unassigned Fund Balance.

I.A.9. NET POSITION

Net Position presents the difference between assets and liabilities in the Statement of Net Position. Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets. Net Position is reported as restricted when there are legal limitations imposed on their use. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

I.A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I.A.10. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II.A. BUDGETARY INFORMATION

II.A.1. BUDGET POLICY AND PRACTICE

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

II.A.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: utilities, repairs and maintenance, fuel, supplies, professional fees, insurance, training, uniforms, safety equipment, travel, Christmas parade, call out expenses, and equipment - capital outlay. Expenditures may not exceed the budget appropriations.

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

III. DETAILED NOTES ON FUND

III.A. ASSETS

III.A.1. CASH AND DEPOSITS

The cash balance as of June 30, 2015 was \$33,025. The State of Tennessee law authorizes the Rescue Squad to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

III. DETAILED NOTES ON FUND (continued)

III.A. ASSETS (continued)

III.A.1. CASH AND DEPOSITS (continued)

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

III.A.2. CAPITAL ASSETS

	Capital Assets Depreciated
	Equipment
Primary Government	
<i>Government Activities</i>	
Balance, June 30, 2014	\$ 55,971
Increases	-
Decreases	(4,000)
Balance, June 30, 2015	\$ 51,971
Accumulated Depreciation	
Balance, June 30, 2014	\$ 45,056
Increases	1,323
Decreases	(4,000)
Balance, June 30, 2015	\$ 42,379
<i>Governmental Activities</i>	
Capital Assets, Net	\$ 9,592

Some capital assets were donated to Rescue Squad by other governmental agencies. These assets are included in the schedule of Capital Assets at fair market value at time of donation.

Depreciation expense for the year ending June 30, 2015 was \$1,323.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION

IV.A.1. RISK MANAGEMENT - CLAIMS AND ADJUSTMENTS

The Rescue Squad 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 Rescue Squad has third party insurance coverage that is adequate in order to cover any occurrence that is likely to occur. There has been no claim filed in fiscal year 2015.

IV.A.2. LITIGATION

As of June 30, 2015, the Rescue Squad has no pending or threatening litigation.

IV.A.3. CONTINGENT LIABILITIES AND LOSSES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

There were no contingent liabilities and losses at the end of the fiscal year 2015.

V. 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. Prior to June 30, the budget is legally enacted through the Executive Board. The annual appropriated budget for the general fund is adopted on a Modified Cash Basis, which is an accounting method other than GAAP.

Budgeted amounts shown are those originally adopted, as well as the final budgets which reflect amendments by the board members.

Total expenditures for the fund may not exceed the total amount appropriated in the budget. The director is authorized to transfer budgeted amounts between departments within the fund; any revisions that alter the total appropriations for the fund are approved by the Executive Committee and the board members. All appropriations lapse at year end.

Excess Expenditures

During the year ended June 30, 2015, the total actual amounts did not exceed total budgeted expenditures.

VI. SUBSEQUENT EVENTS

Management has reviewed all subsequent events through February 26, 2016, the earliest date the financial statements were available.



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**INDEPENDENT AUDITOR'S 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 Rescue Squad
Brownsville, TN

We have audited, in accordance with the 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, the financial statements of the governmental activities and the general fund of the Brownsville-Haywood County Rescue Squad (the Rescue Squad), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Rescue Squad's basic financial statements, and have issued our report thereon dated February 26, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Rescue Squad's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Rescue Squad's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rescue Squad's internal control.

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 statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rescue Squad'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 Standards* and which is described in the accompanying schedule of findings and responses as item 2015-002.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rescue Squad's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rescue Squad's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cowart Reese Sargent".

Cowart Reese Sargent CPAs, PC
Brownsville, Tennessee
February 26, 2016

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

Section I - Financial Statement Findings

2015-001: Segregation of Duties/Internal Controls (Significant Deficiency)

Condition: We noted that journal entries are not being approved. We also noted that there appears to be a lack of controls surrounding the purchase of fuel. Although policies and procedures are in place to approve disbursements, we noted two out of six instances of disbursements without proper approval.

Criteria: State law requires that each state agency design and implement internal controls. The Financial Integrity Act (*Section 9-18-102, Tennessee Code Annotated*) states, Each agency of the state government and institution of higher education shall establish and maintain internal controls, which shall provide reasonable assurance that:

1. Obligations and costs are in compliance with applicable law;
2. Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and
3. Revenues and expenditures applicable to the agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Cause: A lack of oversight and lack of internal controls have caused these conditions to occur.

Effect: The potential for misappropriation of funds increases when internal controls are not properly designed and implemented.

Recommendation: We recommend that internal controls be properly designed and implemented to correct the conditions noted above. More specifically, we recommend that all journal entries be approved by someone other than the preparer. We also recommend that a process be implemented to ensure that fuel purchases are only for Rescue Squad vehicles and a process be implemented to reconcile purchases to monthly billing reports received from the county. We also recommend that all disbursements receive proper approval prior to payment. We recommend that management ensure that all policies and procedures are properly followed prior to signing disbursement checks.

Response: We concur.

2015-002: Board of Directors not meeting as required by By-laws (Significant Deficiency and Noncompliance)

Condition: We noted that the Board does not meet monthly as required by the Rescue Squad's by-laws.

Criteria: The Rescue Squad's by-laws state in Article VI. Meetings that "the regular meetings of the Rescue Squad shall be held on the first Tuesday of each month..."

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

Cause: The Board has not implemented the requirements of the by-laws for the Rescue Squad.

Effect: The potential for inappropriate transactions and activities of the Rescue Squad increases when there is a lack of oversight from the Board.

Recommendation: We recommend that the Board either begin meeting monthly. Formal minutes need to be kept by the Board secretary for each meeting. The Board could also choose to amend the by-laws to reduce the number of required annual meetings. If the Board chooses to amend the by-laws, the Board needs ensure that they remain in compliance with the amended by-laws.

Response: We concur.

BROWNSVILLE-HAYWOOD COUNTY RESCUE SQUAD
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2015

Section I - Financial Statement Findings

Finding Number	Finding Title	Status
None		