

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
JUNE 30, 2011 AND 2010

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
FINANCIAL STATEMENTS, ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

	<u>PAGE</u>
LIST OF PRINCIPAL OFFICIALS OF CITY OF BRENTWOOD .....	i
INDEPENDENT AUDITORS' REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3 - 5
FINANCIAL STATEMENTS	
Statements of Net Assets .....	6
Statements of Revenues, Expenses and Changes in Net Assets .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 - 21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Political Subdivision Pension Plan (unaudited) .....	22
Schedule of Funding Progress and Schedule of Employer Contributions - Other Post Employment Benefits (unaudited).....	23
ADDITIONAL INFORMATION	
Schedule of Revenues and Expenses - Budget and Actual .....	24
OTHER REPORT	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	25 - 26



## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Board of Commissioners  
Brentwood Emergency Communications District  
Brentwood, Tennessee

We have audited the accompanying statements of net assets of the Brentwood Emergency Communications District (the "District"), a component unit of the City of Brentwood, Tennessee, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brentwood Emergency Communications District as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 5, the Schedule of Funding Progress - Political Subdivision Pension Plan on page 22, the Schedule of Funding Progress and Schedule of Employer contributions - Other Post Employment Benefits on page 23, are not a required part of the basic financial statements, but are 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.

Our audits were conducted for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information on page i and page 24 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule on page 24 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information on page i has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Yaghi CPAs PLLC". The signature is stylized, with the first name "Yaghi" written in a cursive-like script and "CPAs PLLC" in a more formal, blocky font.

Nashville, Tennessee  
December 20, 2011

## Management's Discussion and Analysis

This section of the Brentwood Emergency Communications District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal years ended June 30, 2011 and 2010. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The Brentwood Emergency Communications District is presented as a blended component unit within the proprietary funds of the City of Brentwood (the "City" or "primary government"), located in Williamson County, Tennessee. The District was authorized in September 2002 in accordance with §24-52 of the *Brentwood Municipal Code*, the Board of Commissioners of the City of Brentwood and pursuant to the Tennessee Emergency Communications District Law. The District provides for operation, maintenance, funding and enhancement of the City's existing emergency communications system. The costs of these services are funded by monthly telephone subscriber service fees.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's financial statements. The financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared on the accrual basis of accounting. The Statements of Net Assets include all the assets and liabilities of the District as of June 30, 2011, 2010 and 2009. The difference in the assets and liabilities is the net assets or equity of the District. The Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues and expenses during the years ended June 30, 2011, 2010 and 2009. The Statements of Cash Flows report the cash provided and used by operating activities as well as other cash sources and cash payments such as investment income, capital additions and transfers to or from the City.

### Financial Highlights

	Net Assets		
	2011	2010	2009
Current Assets	\$ 1,353,455	\$ 1,262,074	\$ 1,068,027
Capital Assets	628,939	107,739	168,575
Total Assets	1,982,394	1,369,813	1,236,602
Current Liabilities	143,161	106,806	93,396
Net Assets Invested in Capital Assets	628,939	107,739	168,575
Unrestricted Net Assets	1,210,294	1,155,268	974,631
Net Assets	<u>\$ 1,839,233</u>	<u>\$ 1,263,007</u>	<u>\$ 1,143,206</u>

### Changes in Nets Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 852,868	\$ 638,731	\$ 641,845
Operating Costs and Expenses	<u>1,070,215</u>	<u>953,957</u>	<u>898,577</u>
Operating Loss	(217,347)	(315,226)	(256,732)
Interest Income	11,796	6,327	12,443
Contributions from the primary government	418,700	418,700	418,700
Tennessee Emergency Communications Board - grants and reimbursements	<u>363,077</u>	<u>10,000</u>	<u>10,703</u>
Change in Net Assets	<u>\$ 576,226</u>	<u>\$ 119,801</u>	<u>\$ 185,114</u>

### **Operating Revenues**

The Brentwood Emergency Communications District total operating revenue was \$852,868 for the year ended June 30, 2011 (\$638,731 for the year ended June 30, 2010).

Subscriber fees amounted to \$602,424 and \$431,766, and shared wireless revenue amounted to \$61,291 and \$59,348, for the years ended June 30, 2011 and 2010, respectively.

### **Operating Expenses**

Operating expenses of the District increased to \$1,070,215 for fiscal year 2011 compared with \$953,957 for fiscal year 2010.

### **Capital Expenditures**

During the fiscal year ended June 30, 2011, the District purchased assets in the amount of \$579,485, primarily consisting of building improvements and communications equipment. For the fiscal year ended June 30, 2010, the District purchased assets in the amount of \$547, primarily consisting of furniture and fixtures.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Brentwood  
Attn: Finance Director  
P. O. Box 788  
Brentwood, Tennessee 37024-0788  
E-mail: [financedirector@brentwood-tn.org](mailto:financedirector@brentwood-tn.org)

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET ASSETS

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,246,993	\$ 1,191,887
Accounts receivable	106,462	69,587
Prepaid expenses	<u>-</u>	<u>600</u>
<b>TOTAL CURRENT ASSETS</b>	1,353,455	1,262,074
<b>CAPITAL ASSETS, net of accumulated depreciation</b>	<u>628,939</u>	<u>107,739</u>
<b>TOTAL ASSETS</b>	<u>1,982,394</u>	<u>1,369,813</u>
 <b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	26,591	15,506
Accrued expenses	103,636	86,263
Net amount due to primary government	<u>12,934</u>	<u>5,037</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>143,161</u>	<u>106,806</u>
 <b>COMMITMENTS</b>		
 <b>NET ASSETS</b>		
Invested in capital assets	628,939	107,739
Unrestricted	<u>1,210,294</u>	<u>1,155,268</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,839,233</u>	<u>\$ 1,263,007</u>

See accompanying notes to financial statements.



BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Emergency telephone service charges	\$ 602,424	\$ 431,766
Tennessee Emergency Communications Board - shared wireless charge	61,291	59,348
Tennessee Emergency Communications Board - operational funding	<u>189,153</u>	<u>147,617</u>
TOTAL OPERATING REVENUES	<u>852,868</u>	<u>638,731</u>
OPERATING COSTS AND EXPENSES		
Salaries and wages	547,891	472,455
Employee benefits	222,534	222,707
Contracted services	111,087	73,783
Supplies and materials	120,385	114,784
Other charges	10,033	8,845
Depreciation	<u>58,285</u>	<u>61,383</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>1,070,215</u>	<u>953,957</u>
OPERATING LOSS	<u>(217,347)</u>	<u>(315,226)</u>
NONOPERATING REVENUES		
Interest income	11,796	6,327
Contributions from primary government	418,700	418,700
Tennessee Emergency Communications Board - grants and reimbursements	<u>363,077</u>	<u>10,000</u>
TOTAL NONOPERATING REVENUES	<u>793,573</u>	<u>435,027</u>
CHANGE IN NET ASSETS	576,226	119,801
NET ASSETS - BEGINNING OF YEAR	<u>1,263,007</u>	<u>1,143,206</u>
NET ASSETS - END OF YEAR	<u>\$ 1,839,233</u>	<u>\$ 1,263,007</u>

See accompanying notes to financial statements.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 816,593	\$ 658,851
Payments to employees	(753,052)	(687,998)
Payments to suppliers	<u>(222,523)</u>	<u>(191,766)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(158,982)</u>	<u>(220,913)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from primary government	<u>418,700</u>	<u>418,700</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>418,700</u>	<u>418,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(579,485)	(547)
State Emergency Communications Board - grants and reimbursements	<u>363,077</u>	<u>10,000</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(216,408)</u>	<u>9,453</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
Interest income	<u>11,796</u>	<u>6,327</u>
NET INCREASE IN CASH	55,106	213,567
CASH - BEGINNING OF YEAR	<u>1,191,887</u>	<u>978,320</u>
CASH - END OF YEAR	<u><u>\$ 1,246,993</u></u>	<u><u>\$ 1,191,887</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (217,347)	\$ (315,226)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	58,285	61,383
(Increases) decreases in assets and increases (decreases) in liabilities:		
Accounts receivable	(36,875)	20,120
Prepaid expenses	600	(600)
Accounts payable	11,085	10,075
Accrued expenses	17,373	7,164
Net amount due to primary government	<u>7,897</u>	<u>(3,829)</u>
TOTAL ADJUSTMENTS	<u>58,365</u>	<u>94,313</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (158,982)</u></u>	<u><u>\$ (220,913)</u></u>

See accompanying notes to financial statements.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Brentwood Emergency Communications District of the City of Brentwood (the "District") was authorized by the Board of Commissioners of the City of Brentwood (the "City") on September 10, 2002, in accordance with §24-52 of the *Brentwood Municipal Code*, and the Tennessee Emergency Communications District Law. This authorization occurred after the citizens of the City of Brentwood approved by a majority vote in August 2002, the creation of a Brentwood Emergency Communications District. The purpose of the District is to provide for public health, safety and welfare through effective and efficient emergency communications services which will result in saving lives, preventing and mitigating injuries, reducing the destruction of property, and facilitating faster apprehension of criminals. Prior to authorization of the District, the City of Brentwood's General Fund reported all related costs for emergency communications activities and expenditures.

The major service supplier for land lines retains a three percent (3%) administrative collection fee for billing and collecting telephone service charges and remittances to the District. A fee not to exceed three percent (3%) is retained by the other service suppliers of land lines. Subscriber fee revenues are reported net of these collection fees.

In addition, the City of Brentwood paid a communication service charge on behalf of the District to the service suppliers at a flat monthly recurring rate for one-party residence and business exchange access service within the geographic area. The monthly rate for both 2011 and 2010 was \$7,030 and is based on a charge of \$130 per one thousand access lines for the major service provider and \$110 per one thousand access lines for the other service suppliers.

Organization

The accompanying financial statements encompass the financial activities of the District, a component unit of the City of Brentwood, Tennessee, which is the principal reporting entity and primary government. Pursuant to T.C.A. §7-86-105(b)(7), the Board of Commissioners of the City of Brentwood is designated as the board of directors for the District, and all duly elected members of the Board of Commissioners serve as members of the District's board of directors, unless any member is removed pursuant to state law. The terms of the members of the Board of Commissioners run concurrently with their terms as members of the District's board of directors. Unless otherwise decided by majority vote of the members of the board of directors, the mayor shall serve as chairman and the vice-mayor as vice-chairman of the board of directors.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying financial statements of the District have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is responsible for issuing pronouncements on accounting and reporting standards applicable to state and local governments. Governments are also required to follow pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date, the District has elected not to do so.

Cash

Cash consists of a demand deposit account with a financial institution.

Capital Assets and Depreciation

Building improvements, furniture and fixtures and equipment are reported at cost at the date of purchase. The District's policy is to capitalize purchases of \$500 or more and an expected useful life greater than one year. Depreciation is calculated by the straight-line method over estimated useful lives of five to fifteen years. When depreciable assets are sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized. Costs of maintenance and repairs are charged to expense as incurred.

Compensated Absences

The District's employees are considered employees of the City of Brentwood. The City's personnel policy permits employees to accumulate earned but unused annual (vacation) leave and sick days. Annual leave days may accumulate to a maximum of 30 days for employees with up to 5 years of service, 45 days for employees with up to 20 years of service, and 60 days for employees with 20 or more years of service. There is no maximum number of sick days which may be accumulated. Upon termination, employees receive payment for accumulated annual leave days. The City Manager has the authority to pay employees who resign from employment of the City up to 50% of the accrued sick days up to a maximum payment of 30 days. A liability for accumulated compensated absences is accrued when incurred.

Accounts Receivable

Accounts receivable consist primarily of amounts due from service suppliers and the Tennessee Emergency Communications Board for subscriber and wireless fee revenues earned but not collected at year end. Accounts receivable are deemed to be fully collectible by management and no allowance for bad debts is considered necessary at June 30, 2011 and 2010.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expense Recognition

Subscriber fee revenues and related direct costs are recognized in the period in which monthly subscriber fees are billed by the service supplier. Any subscriber accounts subsequently determined to be uncollectible are charged against revenues at that time. In management's opinion, such reporting does not materially affect the financial statements.

Wireless telephone service providers charge \$1.00 per line monthly, which is then paid to the Tennessee Emergency Communications Board (the "TECB"). In accordance with T.C.A. §7-86-303(d), the TECB shall disburse 25% of such revenue to emergency communications districts based on the proportion of population of that district according to the most recent census. Shared wireless revenues are recognized by the District in the period the surcharge is assessed by the service provider.

Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

In October 2006, the TECB approved additional funding from wireless revenues that will be provided annually to the local emergency communications districts. The District's allocable share of such revenues and other operational funding amounted to \$189,153 for 2011 and \$147,617 for 2010, which has been recognized under operating revenues.

Use of Estimates

The preparation of the District's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CUSTODIAL CREDIT RISK - DEPOSITS

Statutes authorize the District to invest in: (1) U. S. Government securities and obligations guaranteed by the U. S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. The District's cash is held by a financial institution that participates in the bank collateral pool administered by the Treasurer of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 2 - CUSTODIAL CREDIT RISK - DEPOSITS (CONTINUED)

Custodial risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The City, which includes the District, minimizes this risk by requiring full collateralization on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit, except when the institution issuing the certificate of deposit belongs to the State of Tennessee Bank collateral Pool. As of June 30, 2011, the District's deposits were fully insured or collateralized.

NOTE 3 - CAPITAL ASSETS

Schedules of changes in capital assets follow for the years ended June 30:

	2011			
	Beginning of Year	Increases	Decreases	End of Year
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 478,428	\$ -	\$ 478,428
Total capital assets not being depreciated	-	478,428	-	478,428
<u>Capital assets being depreciated:</u>				
Building improvements	-	60,615	-	60,615
Furniture and fixtures	6,480	-	744	5,736
Equipment	521,320	40,442	-	561,762
Total capital assets being depreciated	527,800	101,057	744	628,113
<u>Less accumulated depreciation for:</u>				
Building and improvements	-	(1,010)	-	(1,010)
Furniture and fixtures	(4,821)	(887)	744	(4,964)
Equipment	(415,240)	(56,388)	-	(471,628)
Total accumulated depreciation	(420,061)	(58,285)	744	(477,602)
Capital assets, net	\$ 107,739	\$ 521,200	\$ -	\$ 628,939

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	2010			
	Beginning of			End of
	Year	Increases	Decreases	Year
<u>Capital assets being depreciated:</u>				
Furniture and fixtures	\$ 5,933	\$ 547	\$ -	\$ 6,480
Equipment	<u>521,320</u>	<u>-</u>	<u>-</u>	<u>521,320</u>
Total capital assets being depreciated	<u>527,253</u>	<u>547</u>	<u>-</u>	<u>527,800</u>
<u>Less accumulated depreciation for:</u>				
Furniture and fixtures	\$ (3,759)	\$ (1,062)	\$ -	\$ (4,821)
Equipment	<u>(354,919)</u>	<u>(60,321)</u>	<u>-</u>	<u>(415,240)</u>
Total accumulated depreciation	<u>(358,678)</u>	<u>(61,383)</u>	<u>-</u>	<u>(420,061)</u>
Capital assets, net	<u>\$ 168,575</u>	<u>\$ (60,836)</u>	<u>\$ -</u>	<u>\$ 107,739</u>

At June 30, 2011, construction in progress consisted primarily of ECD upgrades to infrastructure to meet next generation communications standards. No purchase commitments existed at June 30, 2011, but expected costs to complete the project approximate \$875,000.

NOTE 4 - TAX-EXEMPT STATUS

The District is exempt from federal and state taxation as it is deemed to be a government entity. Accordingly, no income taxes have been provided.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The District pays a premium, receives coverage, and can make claims against that coverage. The District meets the TML Pool's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Beginning with calendar 2010, the City modified its fully insured employee group health insurance plan (which includes the District's employees) to include a high-deductible and high max out-of-pocket plan coupled with a City-funded Health Reimbursement Arrangement (HRA). The HRA was implemented to effectively limit the employee deductible and max out-of-pocket to \$1,000 (\$2,000 for dependent coverage). The City established the Health Insurance Fund, which functions as an internal service fund, to account and finance its HRA claims obligations and insurance premiums related to employee health and vision insurance coverage.

Effective January 1, 2011, the City terminated its fully insured employee group health insurance plan, and commenced a partially self-funded insurance plan with a city funded HRA. Under the partially self-funded insurance plan, which is administered by Blue Cross Blue Shield of Tennessee, the City is liable through the HRA for up to \$5,500 of the first \$6,500 of individual employee claims with the employee being liable for up to \$1,000 out of pocket. To help mitigate claims loss beyond the HRA funded amount, the City purchased insurance plans for Specific Stop Loss and Aggregate Stop Loss coverage. Specific Stop Loss coverage limits the City's potential liability for a single catastrophic claim by covering all costs for an individual member once those costs exceed \$60,000 over and above the HRA funded amount. Aggregate stop loss coverage caps the City's liability for all claims in the entire plan at an agreed upon dollar amount. In 2011, the aggregate stop loss threshold is \$1.54 million.

The City continues to carry commercial insurance for other risks of loss, including general liability, property and casualty, and workers' compensation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past fiscal year.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of accounts receivable. Accounts receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Receivables consist of unremitted fees paid by telephone service subscribers to telephone service providers.



BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 7 - BUDGETS

Prior to May 15 of each year, the Director submits to the District's Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. Prior to June 30, the budget is legally enacted through passage of an ordinance. The budget prepared is consistent with accounting principles generally accepted in the United States of America ("GAAP").

Budgeted amounts shown are those originally adopted, as well as the final budget which reflects amendments by the Board of Commissioners. The Director is authorized to transfer budgeted amounts between categories within the District; any revisions that alter the total appropriations for the District must be approved through the passage of an ordinance by the Board of Commissioners. Budget-to-actual financial statements are provided to the Board on a monthly basis.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Contributions Information

Employees of the District are included with the employees of the City of Brentwood in the City's post retirement benefit plan, which is a single-employer defined benefit plan (the "OPEB Plan"). The OPEB Plan provides medical and life insurance benefits to eligible retirees and their spouses. The benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City.

Membership in the plan consisted of the following (District employees are included in the category general government) at January 1, 2011, the date of the latest actuarial evaluation:

	<u>General Government</u>	<u>Fire/Police</u>	<u>Total</u>
Active employees	126	113	239
Retired employees	<u>9</u>	<u>1</u>	<u>10</u>
Total	<u>135</u>	<u>114</u>	<u>249</u>
Participating employers			<u>1</u>

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

Employees are fully eligible for postretirement medical and life insurance once they reach the age of 55 with 20 years of service with the City. For employees hired prior to July 1, 2005, the City will pay 100 percent and 50 percent of total cost of premiums for retirees and dependents, respectively. For employees hired post July 1, 2005, the City will pay a portion of the cost of premiums based on years of service at time of retirement, and dependent's cost of premiums will be paid entirely by the retiree. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. For retirees who have reached age 65, were hired prior to July 1, 2005 and retired after July 1, 2002, the City reimburses the cost of a Medicare supplement up to 50% of the City's cost for employee coverage under the group insurance plan.

Funding Policy

The contribution requirements are established and may be amended by the Board of Commissioners. The required contribution is based on an actuarial valuation utilizing the entry age normal method. During 2008, the City prefunded a trust account, administered by ICMA Retirement Corporation, in the amount of \$2,260,000, which included the 2008 annual required contribution of \$598,000, less amounts paid as premium benefits. For fiscal year 2011, the City contributed \$587,978 to the Trust and paid benefits of \$25,563. The prefunding will reduce the annual required contribution in future years. All contributions were made by the employer (no contributions by active or retired employees). Employer contributions are calculated as 5.04 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset) for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 659,800	\$ 636,866
Interest on net OPEB obligation	(107,568)	(107,568)
Adjustment to annual required contribution	<u>61,309</u>	<u>61,309</u>
Annual OPEB cost (expense)	613,541	590,607
Contributions made	<u>(613,541)</u>	<u>(590,607)</u>
Increase (decrease) in net OPEB obligation	-	-
Net OPEB obligation (asset) - beginning of year	<u>(1,749,078)</u>	<u>(1,749,078)</u>
Net OPEB obligation (asset) - end of year	<u>\$ (1,749,078)</u>	<u>\$ (1,749,078)</u>

The District's portion of the annual required contribution and actual contribution made was \$21,255 each year for the years ended June 30, 2011 and 2010. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	\$ 598,000	382 %	(1,688,006)
6/30/09	493,846	112	(1,749,078)
6/30/10	598,607	100	(1,749,078)
6/30/11	613,541	100	(1,749,078)

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 39.0 percent funded. The actuarial accrued liability for benefits was \$8,405,507, and the actuarial value of assets was \$3,406,762 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,998,745. The covered payroll (annual payroll of active employees covered by the plan) was \$13,095,851 and the ratio of the UAAL to the covered payroll was 38.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.15 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of nine percent initially, reduced by decrements to an ultimate rate of five percent after eight years. Both rates include a six percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was twenty-six years.

The OPEB Plan does not issue separate financial statements, and as such, all required disclosures and supplementary information are included as part of the City's annual financial report.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description

Employees of the District are included with the employees of the City of Brentwood and are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.treasury.tn.gov/tcrs/PS/](http://www.treasury.tn.gov/tcrs/PS/).

Funding Policy

For eligible employees hired before January 1, 2010, the City adopted a noncontributory retirement plan by assuming employee contributions up to 5% of annual covered payroll.

For eligible employees hired after January 1, 2010, the City adopted a new Tennessee Consolidated Retirement System program that requires a 5% employee payroll contribution toward the cost of the retirement system.

The City is required to contribute at an actuarially determined rate; the rate was 16.68% and 15.27% of annual covered payroll for the years ended June 30, 2011 and 2010, respectively. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

Annual Pension Cost

For the years ended June 30, 2011 and 2010, the City's annual pension costs to TCRS were equal to the City's required and actual contributions. The District's applicable annual pension costs were \$90,899 in 2011 and \$69,651 in 2010. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 5 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$2,164,396	100.00%	\$0.00
6/30/10	\$1,977,054	100.00%	\$0.00
6/30/09	\$2,013,531	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 73.61% percent funded. The actuarial accrued liability for benefits was \$32.8 million, and the actuarial value of assets was \$24.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.0 million, and the ratio of the UAAL to the covered payroll was 66.74%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 24,211	\$ 32,755	\$ 8,644	73.61%	\$ 12,952	66.74%
July 1, 2007	\$ 19,892	\$ 25,114	\$ 5,222	79.21%	\$ 11,794	44.28%

NOTE 10 - DEFERRED COMPENSATION PLANS

Employees of the District are included with the employees of the City of Brentwood in the City's deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(a). The plans, available to all full-time City employees at their option, permit participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The plan's investments are held in trust by ICMA Retirement Corporation and Nationwide Retirement Services.

Upon two years of full-time service, the City matches, on a dollar for dollar basis, a maximum of up to 3% of the employee's base salary. The District's match for the year ended June 30, 2011 totaled \$7,720 (\$7,474 in 2010).

REQUIRED SUPPLEMENTARY INFORMATION



BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FUNDING PROGRESS  
FOR THE CITY OF BRENTWOOD, TENNESSEE

POLITICAL SUBDIVISION PENSION PLAN  
SUPPLEMENTARY INFORMATION (Unaudited)

JUNE 30, 2011 AND 2010

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2009	\$ 24,111	\$ 32,755	\$ 8,644	73.61%	\$ 12,952	66.74%
July 1, 2007	\$ 19,892	\$ 25,114	\$ 5,222	79.21%	\$ 11,794	44.28%

The Governmental Accounting Standards Board ("GASB") requires the plan to prepare a Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method change was made during the year of the 2007 actuarial valuation date; therefore only the two most recent valuations are presented.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FUNDING PROGRESS  
AND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE CITY OF BRENTWOOD, TENNESSEE

OTHER POST EMPLOYMENT BENEFITS  
SUPPLEMENTAL INFORMATION (UNAUDITED)

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit</u>	<u>Unfunded Aal (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/07	\$ -	\$ 5,544,000	\$ 5,544,000	0.0%	\$ 11,302,574	49.1%
07/01/08	\$ 2,300,104	\$ 7,137,913	\$ 4,837,809	32.2%	\$ 11,876,269	40.7%
07/01/09	\$ 2,776,979	\$ 7,535,684	\$ 4,758,705	36.9%	\$ 12,792,110	37.2%
07/01/10	\$ 3,406,762	\$ 8,405,507	\$ 4,998,745	40.5%	\$ 13,095,851	38.2%
07/01/11	\$ 4,179,023	\$ 8,260,634	\$ 4,081,611	50.6%	\$ 12,472,750	32.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Employer Contributions</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed *</u>
2008	\$ 598,000	382.3 %
2009	493,846	112.4
2010	590,607	100.0
2011	613,541	TBD

\*Includes projected employer payment for retiree benefits in total contribution.

#### ADDITIONAL INFORMATION

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>OVER</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>(UNDER)</u>
OPERATING REVENUES				
Subscriber fees:				
Emergency telephone service charges	\$ 670,030	\$ 670,030	\$ 602,424	\$ (67,606)
Tennessee Emergency Communications Board - shared wireless charge	63,000	63,000	61,291	(1,709)
Tennessee Emergency Communications Board - operational funding	<u>189,155</u>	<u>189,155</u>	<u>189,153</u>	<u>(2)</u>
TOTAL OPERATING REVENUES	<u>922,185</u>	<u>922,185</u>	<u>852,868</u>	<u>(69,317)</u>
OPERATING COSTS AND EXPENSES				
Salaries and wages:				
Salaries - dispatchers	498,140	485,040	484,773	(267)
Salaries - overtime pay	41,500	49,605	49,502	(103)
Shift differential	11,100	11,100	9,896	(1,204)
Longevity	3,720	3,720	3,720	-
EMT supplement	900	900	-	(900)
Employee benefits:				
Social security	42,485	47,210	47,206	(4)
Medical insurance	53,100	53,100	53,100	-
Dental insurance	3,000	3,000	1,554	(1,446)
Retirement contributions	81,975	90,900	90,899	(1)
Other post-employment benefits	21,255	21,255	21,255	-
Supplemental retirement - Section 457 Plan	7,500	7,770	7,720	(50)
Sick leave buy-backs	1,000	1,000	-	(1,000)
Attendance bonus	1,000	1,000	800	(200)
Annual leave buy-backs	1,000	1,000	-	(1,000)
Contracted services:				
Audit services	9,700	9,700	8,675	(1,025)
Mapping/database expenses	10,000	10,000	10,000	-
Lease/rental - building and facilities	31,800	31,805	31,801	(4)
Lease/rental - office equipment	17,000	45	-	(45)
Maintenance and repairs - communications equipment	45,000	50,295	50,293	(2)
Other contracted services	18,000	18,000	10,318	(7,682)
Supplies and materials:				
Office supplies	2,500	2,500	634	(1,866)
Computer software	-	2,510	2,510	-
Uniforms and shirts	5,500	5,500	3,723	(1,777)
Utilities - electric	2,800	2,800	-	(2,800)
Utilities - general telephone	115,000	115,000	111,501	(3,499)
Other supplies and materials	1,800	2,020	2,017	(3)
Other operating expenses:				
Dues and memberships	5,000	5,000	1,933	(3,067)
Periodical subscriptions	2,500	2,500	1,875	(625)
Insurance - workers' compensation	3,145	3,145	1,006	(2,139)
Insurance - life	2,440	2,440	2,318	(122)
Insurance - liability	1,400	1,400	1,251	(149)
Premiums on surety bonds	750	750	-	(750)
Travel expenses	<u>5,000</u>	<u>5,000</u>	<u>1,650</u>	<u>(3,350)</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>1,047,010</u>	<u>1,047,010</u>	<u>1,011,930</u>	<u>(35,080)</u>
Depreciation	<u>115,615</u>	<u>115,615</u>	<u>58,285</u>	<u>(57,330)</u>
TOTAL EXPENSES	<u>1,162,625</u>	<u>1,162,625</u>	<u>1,070,215</u>	<u>(92,410)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	5,500	5,500	11,796	6,296
Contributions from primary government	418,700	418,700	418,700	-
Tennessee Emergency Communications Board - grants and reimbursements	<u>360,000</u>	<u>360,000</u>	<u>363,077</u>	<u>3,077</u>
TOTAL NONOPERATING REVENUES	<u>784,200</u>	<u>784,200</u>	<u>793,573</u>	<u>9,373</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 543,760</u>	<u>\$ 543,760</u>	<u>\$ 576,226</u>	<u>\$ 32,466</u>

OTHER REPORT

INDEPENDENT AUDITORS' 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 Honorable Mayor and  
Board of Commissioners  
Brentwood Emergency Communications District  
Brentwood, Tennessee

We have audited the financial statements of the Brentwood Emergency Communications District (the "District"), a component unit of the City of Brentwood, Tennessee, for the year ended June 30, 2011, and have issued our report thereon dated December 20, 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

A handwritten signature in black ink that reads "K. J. CPAs PLLC". The signature is stylized, with the "K" and "J" being particularly prominent and connected.

Nashville, Tennessee  
December 20, 2011