

CITY OF BRENTWOOD, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

PREPARED BY:
DEPARTMENT OF FINANCE
CARSON K. SWINFORD, DIRECTOR OF FINANCE

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CITY OF BRENTWOOD, TENNESSEE
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FOR THE YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION

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BRIAN J. SWEENEY
MAYOR
PAUL L. WEBB, CPA
VICE-MAYOR
MICHAEL W. WALKER
CITY MANAGER



City of Brentwood

COMMISSIONERS
BRIAN J. SWEENEY
PAUL L. WEBB, CPA
ANNE DUNN
JOE REAGAN
REGINA R. SMITHSON

November 10, 2006

The Honorable Mayor, City Commissioners and Citizens of the City of Brentwood, Tennessee:

The Comprehensive Annual Financial Report of the City of Brentwood, Tennessee (the "City" or "City of Brentwood") for the fiscal year ending June 30, 2006 is hereby submitted as required by state statutes. These statutes require that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Brentwood for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by KraftCPAs PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brentwood for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Brentwood's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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The City was not required to undergo a single audit for the year ended June 30, 2006 as prescribed by the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Brentwood's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Brentwood is located in middle Tennessee in the northeastern part of Williamson County, adjacent to the southern border of Metropolitan Nashville-Davidson County. During the last several years, middle Tennessee and specifically Williamson County has been the top growth area of the state, and one of the top growth areas in the country. The City of Brentwood currently occupies a land area of 41.3 square miles and has a certified resident population of 30,617. The City of Brentwood is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation into the officially designated urban growth area, when deemed appropriate from a long term planning perspective.

The City was incorporated on May 13, 1969 pursuant to the uniform City Manager- Commission Charter, Title 6, Chapter 18, *Tennessee Code Annotated* as supplemented and amended. The governing body of the City is the Board of Commissioners which currently consists of five (5) members who serve four-year terms of office. Non-partisan elections for Commissioners are held every two years on a staggered basis. Commissioners are elected at-large, rather than by district. Following each regular biennial City election, the Commission elects two of its members to serve for a two-year period as Mayor and Vice Mayor, respectively. The Mayor is the presiding officer of the Commission. The Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, who is chief executive officer of the City. The City Manager is responsible for carrying out the policies and ordinances of the commission, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The City provides a wide range of services characteristic of similar jurisdictions in the State, including public safety (police and fire protection), street maintenance, parks, library, public improvements, planning and zoning and general administrative services. The City also provides water distribution and sewer collection services through the Water and Sewer Fund, a business-type activities fund that has been included as an integral part of the City of Brentwood's financial statements. Electric power is provided by the Nashville Electric Service (NES) and the Middle Tennessee Electric Cooperative. The Nashville Gas Company and Atmos Energy Corporation provide natural gas service in the City.

The annual budget serves as the foundation for the City of Brentwood's financial planning and control. The budget preparation process begins in late fall when City departments begin preparation of six-year Capital Improvements Program requests. During December, the staff

initiates the review and evaluation of each request in light of available revenues and in accordance with the City's overall goals and objectives. By late February, the Finance Department compiles a draft Capital Improvements Plan which is submitted to the City Manager for review, refinement and approval. By late March, the consolidated draft document is submitted to the Brentwood City Commission for initial review. The program, as modified by the City Commission, is considered for formal adoption by resolution in mid-June.

In early January, City departments begin assessing resource needs for the coming year relative to capital equipment, including fleet; maintenance requirements; technology; and, proposed new or expended work programs. At the same time, a work session is held with the City Commission to receive initial policy guidance on appropriate service levels and personnel policies. Budget requests and supporting documentation are then prepared by individual departments and submitted in early February for the Finance Department and the City Manager's review.

During February, the Finance Department staff reviews budget submissions and prepares information for the budget review sessions with the City Manager. Generally, the last half of February is set aside for the City Manager's budget review sessions with department heads. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of March. Expenditure and revenue projections for the current fiscal year and estimates for the proposed fiscal year and thereafter are updated with the latest available data. This information permits final adjustments to routine operating expenditures and new and expanded programs for inclusion in the Proposed Budget.

The City Manager's proposed operating budget for the upcoming fiscal year is presented to the City Commission by early May for initial review. Budget work sessions are held with the City Commission by mid May to review the budget and proposed nonroutine work plan. This session provides the opportunity for the City Commission to ask questions about proposed budget and to request additional information or modifications as needed.

After the budget work session, three public hearings are held on the Proposed Budget during and prior to final reading of the Appropriations and Tax Levy Ordinances. The hearings provide formal citizen input to the City Commission on decisions and issues related to the Budget. The first reading of the Appropriations Ordinance is held at the second regular meeting in May for the City Commission to formally consider and amend as deemed necessary and adopt the authorized ordinances. By late-June with the approval of second and final readings of the Appropriations Ordinance and Tax Levy Ordinance, the Commission adopts the Budget for the fiscal year beginning July 1, and sets the tax rate for the upcoming year.

Amendments may be made to the original appropriations ordinance at any time during a current fiscal year. Except for emergency expenditures, however, increased appropriations may be made only after the city manager has certified in writing that sufficient unappropriated revenue will be available to cover the additional expenditures.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison begins on page 53. The debt service fund comparison is on page 66.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Brentwood operates.

Local economy. The City of Brentwood and Williamson County benefit from the highest per capita income and the lowest unemployment rates in the State of Tennessee and United States. The most recently available statistics for June 2006 indicates a 3.1 percent unemployment rate in the county compared to a statewide rate of 5.9 percent and national jobless rate of 4.8 percent. A survey by *American Demographics* magazine ranked Williamson County 10th on a national list of the twenty fastest growing, most educated and affluent American counties. Williamson County is the 12th wealthiest county in the United States based on average wages and salaries. The 2000 U.S. Census indicates that Brentwood's median household income for 1999 is \$111,819. By comparison, the overall Williamson County income is \$69,104 while Tennessee's median household income is \$36,360.

The City's official population has steadily increased from 4,099 in 1970; to 9,433 in 1980, to 16,392 in 1990, and to 30,617 in the most recent special census effective July 2004. The census figures reflect a strong but manageable rate of growth (roughly 4% annually) from 1970 to 2005. Recent trends indicate that about 1,500 new residents are moving into the City of Brentwood annually.

Regardless of the ups and downs in the national economy, the Brentwood economy remains relatively strong compared to other communities. The total valuation for new building permits issued during the 2005-2006 fiscal year was \$275,542,307 with 1,629 permits being issued. In fiscal year 2006, Brentwood had a total assessed value of property of \$1,436,572,976, which ranks among the highest of any city in the State of Tennessee regardless of size and population.

The Brentwood area has one of the largest concentrations of suburban office space in the Nashville Metropolitan area with 4.6 million square feet of rentable office space. Roughly 20,000 people are employed in the office complexes in Brentwood. A 2nd quarter 2006 market survey revealed a class A vacancy rate of 4.8% in the Brentwood area, a decrease of 2.1% from last year's vacancy rate of 6.9%. This vacancy rate is very favorable with overall rates in the Nashville office market and similar sized metropolitan areas in the Southeastern United States. To meet the growing demand, particularly for tenants wanting a significant amount of office space, two new buildings in excess of 100,000 square feet each will be constructed in the next fiscal year in Brentwood.

Many companies locate their national or regional corporate headquarters or offices in Brentwood. The diversity of employment opportunities in the community is significant with the City not dependent on a single, large employer. Comdata (financial services), BellSouth and

Aspect Communications (communications), Renal Advantage Inc. and Community Health Systems (healthcare management), Tractor Supply (retailer), and Doane Pet Care (pet food manufacturer) are examples of companies who have chosen to locate their national or regional offices in Brentwood.

The Cool Springs Galleria is located adjacent to the City's southern limits with Brentwood's City limits surrounding mall on three sides. The Cool Springs area now has the largest concentration of retail development in the State of Tennessee. Since its opening in 1991, the Mall has spurred significant retail development inside the adjacent Brentwood area and subsequent growth in local sales tax collections. Additional retail development has also occurred in the northern commercial area of the City to serve the office and resident population. The growth in local sales tax collections have allowed the City to maintain a more balanced tax structure and be less dependent on the property tax to fund municipal services. It has also allowed the City to maintain the same effective property tax rate for the past sixteen years.

The Brentwood/Williamson County community is firmly committed to providing a quality public education system. In 1999, the *Wall Street Journal* ranked the Williamson County Schools fifth in the nation for students receiving the best education for the lowest cost. In 2004-2005, 98 percent of high school seniors took the American College Test. The countywide score of 22.0 exceeded the national average of 20.9 and the state average of 20.5. The county dropout rate is 1.2 percent, with 95% of Brentwood High seniors going on to institutions of higher learning after graduation. A second high school (Ravenwood High) was opened by Williamson County in August 2002 to serve the growing student population in east Brentwood and Nolensville. Most recently, a new elementary and middle school (Sunset) was opened in eastern Williamson County.

MAJOR INITIATIVES - For the Year. The significant projects, events and accomplishments during the City's 2005-2006 fiscal year included the following:

- In January 2006, the City of Brentwood's strong financial position was reaffirmed by Moody's Investors Services with an Aaa bond rating. The City first received the highest possible bond rating in January 2000.
- The City Commission continued to focus staff efforts on identifying and addressing the long-term needs of the City through formal adoption of a non-routine work plan setting goals and objectives for all City departments for the 2005-2006 fiscal year.
- The City Commission responsibly addressed the infrastructure demands of a growing community through formulation, update, adoption and implementation of the City's six-year capital improvements program for FY 2006-2011, including a financing and debt management plan. General Obligation Bonds needed to fund improvements are typically issued every other fiscal year; accordingly, new 20 year bonds and refunding of certain existing debt in the total amount of \$ 4,800,000 was successfully issued by the City in January 2006 at an average coupon (interest) rate of 3.88%.

- Brentwood's and Williamson County's economy and tax base remains very strong when compared to other communities in the United States. The property tax rate that was approved for fiscal year 2006-2007 beginning July 1, 2006 will be \$.49 per \$100 of assessed value, which represents the same effective tax rate for the sixteenth year in a row. The actual tax rate declined from \$.59 per \$100 of assessed value due to the recently completed reappraisal of property by the Williamson County Property Assessor. The increase in property values allowed the City to lower the tax rate and still generate the same amount of taxes from existing taxable property. Brentwood continues to have one of the lowest tax rates in the State of Tennessee for any full service municipality with the City property tax bill for the average house valued at \$420,000 being \$515 annually.
- Well in advance of the fiscal year 2008-2009 requirement from the Governmental Accounting Standards Board (GASB 45) to expense post employment benefit obligations for retiree health and life insurance coverage, the City undertook an actuarial study in fiscal year 2004-2005 to determine the future financial obligations to the City. In a fiscally responsible manner, the Board of Commissioners moved immediately rather than delaying three years to appropriate \$660,000 annually beginning in the fiscal year 2005-2006 to meet this commitment. This is the annual amount needed to ensure a financially sound program according to GASB standards and to eliminate unfunded liabilities for taxpayers when, by the year 2016, the number of eligible retirees is expected to increase significantly.
- There was a continued priority to enhance productivity and overall responsiveness of the departments through the effective use of new technology and equipment in daily operations. This commitment has kept the overall growth in City staffing levels low while enabling the City to be responsive to expanding service demands (police, fire, parks, public works, library, inspections, etc) from a growing population and service area. The result is that the number of full-time employees per 1,000 residents for the adopted fiscal year 2006-2007 budget will be 6.94 versus 8.54 in fiscal year 1990-1991 or 18.7% less. To put this productivity gain in perspective, if the City were operating at the same per capita staffing levels today as in FY 1991, the City would have 54 additional full-time employees (290 rather than 236) with an additional cost to the General Fund of \$4 million annually. Funding would have required a 45% increase in the City property taxes or a corresponding \$4 million cut in current General Fund services.
- The City initiated an update to the 20 year comprehensive plan that was adopted in calendar year 1999. The Brentwood 2020 Plan has served the City well in prioritizing and implementing goals, objectives and action steps in areas such as environmental protection, retirement opportunities, commercial land uses, transportation, and growth management. The update included a major effort to determine citizen attitudes & satisfaction with City services and overall direction via two surveys which received a remarkable 40% household return rate. In summary, the surveys showed strong support for current City policy in the above areas. From a financial management perspective, strong support remains for the City maintaining the Aaa bond rating from Moody's Investors Service and minimum reserves in the General Fund in excess of 40% of the annual operating budget.

- The City entered into a joint agreement with Williamson County to fund one-half of the capital cost for a new \$3 million Indoor Soccer Arena under construction in Crockett Park. The City's involvement is limited to a 50% share of the capital cost plus providing a site for the facility and extension of water and sewer lines. The County paid for the remaining capital cost and will assume 100% responsibility for operating costs. When opened in calendar year 2007, the community will gain a needed recreation facility with no ongoing operating costs for the City.
- In an on-going effort to encourage private redevelopment of the original commercial area into a pedestrian oriented, traditional downtown, the City undertook a parking structure feasibility study. Common parking is essential to the success of any mix use development that is targeted for the area. This planning effort has provided a framework to evaluate the financial feasibility of the City entering into the public parking business based on various types of private development proposals and potential tax generation needed to cover capital and operating costs.
- Effective June 1, 2004, the Board of Commissioners adopted an ordinance to provide for a 4% Hotel/Motel Tax on room occupancy in Brentwood. There are 12 hotels in Brentwood with 1,400 total rooms. The tax collections in the first fiscal year (2004 – 2005) generated \$787,808 in new revenue for the General Fund and \$955,407 in fiscal year 2005 – 2006. The room occupancy tax has created no adverse effect on demand for hotel rooms in Brentwood.
- The City completed site design for a new neighborhood park in East Brentwood (Owl Creek Park) on a twenty acre tract located on Concord Road, between Concord Pass and Bluff Road. Construction was initiated in the summer 2006 and will be substantially completed and available for public use by the late spring of 2007.
- Brentwood continues to be one of the most desirable communities to live in Nashville/Middle Tennessee area as reflected in the number of residential housing starts. In calendar year 2005, the City had 472 new housing starts which were less than the record of 635 in calendar year 2004. However, as recently as calendar years 1998-2000, the City was experiencing new housing starts in the range of 170-190 annually. While some slowdown was expected, we expect housing starts to remain strong and in the 450-500 range annually in the next few years.

MAJOR INITIATIVES - For the Future. The significant challenges, issues and changes that the City will face in the near future include the following:

- ***Agreed Sewer Order.*** The City of Brentwood and the Metropolitan Government of Nashville & Davidson County entered into an agreed order with the Tennessee Department of Environment & Conservation in May 2006 to undertake a comprehensive assessment of mutually used sewer lines and other facilities to identify locations for repair and upgrades. Certain sub-area trunk lines have experienced an increase in storm water infiltration during significant rainfall events and associated discharges from manholes into nearby streams. The goal is to cost effectively identify and prioritize truck line segments for major repairs over the next 3-4 years. In the interim, both jurisdictions are prohibited from allowing any additional connections to public sewer in the Little Harpeth River drainage basin except for commitments made prior to the agreed order. While the City does not know yet the extent of the needed improvements, we are confident that the improvements can be handled within the

normal parameters of the six-year capital improvements program. Also note that the current moratorium on sewer connections will have minimal effect on new housing starts as most of residential development in Brentwood is occurring in the Owl Creek drainage basin, an area not affected by the order. Overall, the City believes the agreed order will be positive because it addresses inappropriate sewer by-passes into local streams during significant rainfall events and ensures that Metro Nashville will upgrade substandard lines needed to handle the transport of common sewer to their major wastewater treatment facilities on the Cumberland River.

- ***Metro Sewer Users Association.*** As a result of proposals by Metro Nashville Water/Sewer Services to unilaterally force new service contracts on its wholesale customers including substantial increases in the cost for trunk and treatment services, the ten wholesale customers, including Brentwood, came together to form an association to respond in a unified manner. The association members were mandated by the U.S. Environmental Protection Agency in the 1970's and 1980's to abandon their treatment facilities and connect to Metro in its role as the designated regional wastewater treatment entity. The association hired a consultant to analyze the technical and financial data used to support the rate increases and found significant flaws in the methodology including inappropriate expenses being allocated to wholesale customers. While the wholesale customers have no problem paying their fair share of the cost for services, the association will strongly oppose any effort by Metro to establish a fee structure that is unrelated to the true cost of services.
- ***Water Service Area Expansion.*** The City of Brentwood negotiated an agreement in May, 2006 with the Nolensville/College Grove Utility District to take over a limited, target area within their service district to provide City water. The area in question is just starting to develop and is expected to have 1,000 new homes over the next 5-10 years. The takeover will require the City to spend about \$3.5 million to extend & provide adequate water service including a 2,300 gallon per minute water booster station, a 2.5 million gallon water tank & 15,000 linear feet of larger, ductile water lines. The City will fund this service expansion entirely from new water tap fees which were increased from \$2,500 to \$5,000 per house within the new service area.

Debt Administration.

The City issued \$9,005,000 in Bonds in FY 2006, consisting of the following:

- \$4,800,000 in General Obligation Public Improvement (GO) Bonds for various large capital projects.
- \$2,430,000 of General Obligation Public Improvement Refunding Bonds, issued for the purpose of refunding \$2,300,000 of previously issued General Obligation Bonds.
- \$1,775,000 of Water Revenue and Tax Refunding Bonds, issued for the purpose of refunding \$1,730,000 of previously issued Water Revenue and Tax Bonds.

The City's total outstanding bonded debt of \$36,207,104 is rated Aaa by Moody's Investors Service, the highest rating possible. The rating confirms the City's commitment to sound financial management and the City's strong and diverse economic base.

Cash management. Cash not required for current operations was invested in savings accounts and short-term (less than one year) certificates of deposits. Deferred compensation funds are invested by the agents with whom they are deposited and are not included in the City's investment activities. All investments were in accordance with the City's Fiscal Management Policies.

Risk management. The City's risk management program includes various risk control techniques, including employee accident prevention training. The City maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, and meets the Pool's guidelines and complies with its rules and regulations. Additional information on the City of Brentwood's risk management activity can be found in Note 7 of the notes to the financial statements.

Pension and other postemployment benefits. The City participates in the Tennessee Consolidated Retirement System (TCRS). The plan is non-contributory, meaning the employees do not make direct contributions to the plan. The City makes contributions to the TCRS on the employee's behalf. Employees become vested after five (5) years of full-time employment and shall be eligible for benefits upon retirement, based on their age, their number of years of employment, and the average of the member's five (5) highest consecutive years of salary.

The City of Brentwood also provides postretirement health care and life insurance benefits for certain retirees who meet the City's eligibility requirements. For detailed information on the City's pension and postemployment benefits, please refer to notes 10-11 of the financial statements.

Awards and Acknowledgements

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brentwood for its comprehensive annual financial report for the year ended June 30, 2005. This was the nineteenth consecutive year (fiscal years ended 1986-2005) that the government has achieved this award. The Certificate of Achievement is a prestigious national award that recognizes our conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

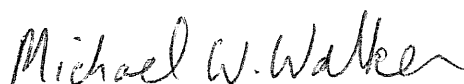
Distinguished Budget Presentation Award. The City has been recognized by the Government Finance Officers Association of the United States and Canada (GFOA) with the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2005. This represents the thirteenth consecutive year the City has met or exceeded the program's requirements. This award represents the highest recognition possible in governmental budgeting.

The award program critiques the budget document on its proficiency as a policy document, a financial plan, an operations guide and as a communications device. The award is valid for a period of one year. Management will continue to improve the City's budget based on comments and suggestions from the review and will conform to program requirements and changes.

Acknowledgments. The efforts of the members of the Finance Department office staff and the cooperation of each of the City's departments were essential in the preparation of this report. Specific appreciation is expressed to City Treasurer Karen Harper on her preparation and thoroughness throughout the audit process.

Also, the City is indebted to the staff of KraftCPAs PLLC for its valuable guidance and assistance. Credit also must be given to the Mayor and the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Brentwood's finances.

Respectfully submitted,



Michael W. Walker
City Manager



Carson K. Swinford
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Brentwood
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Flannery".

President

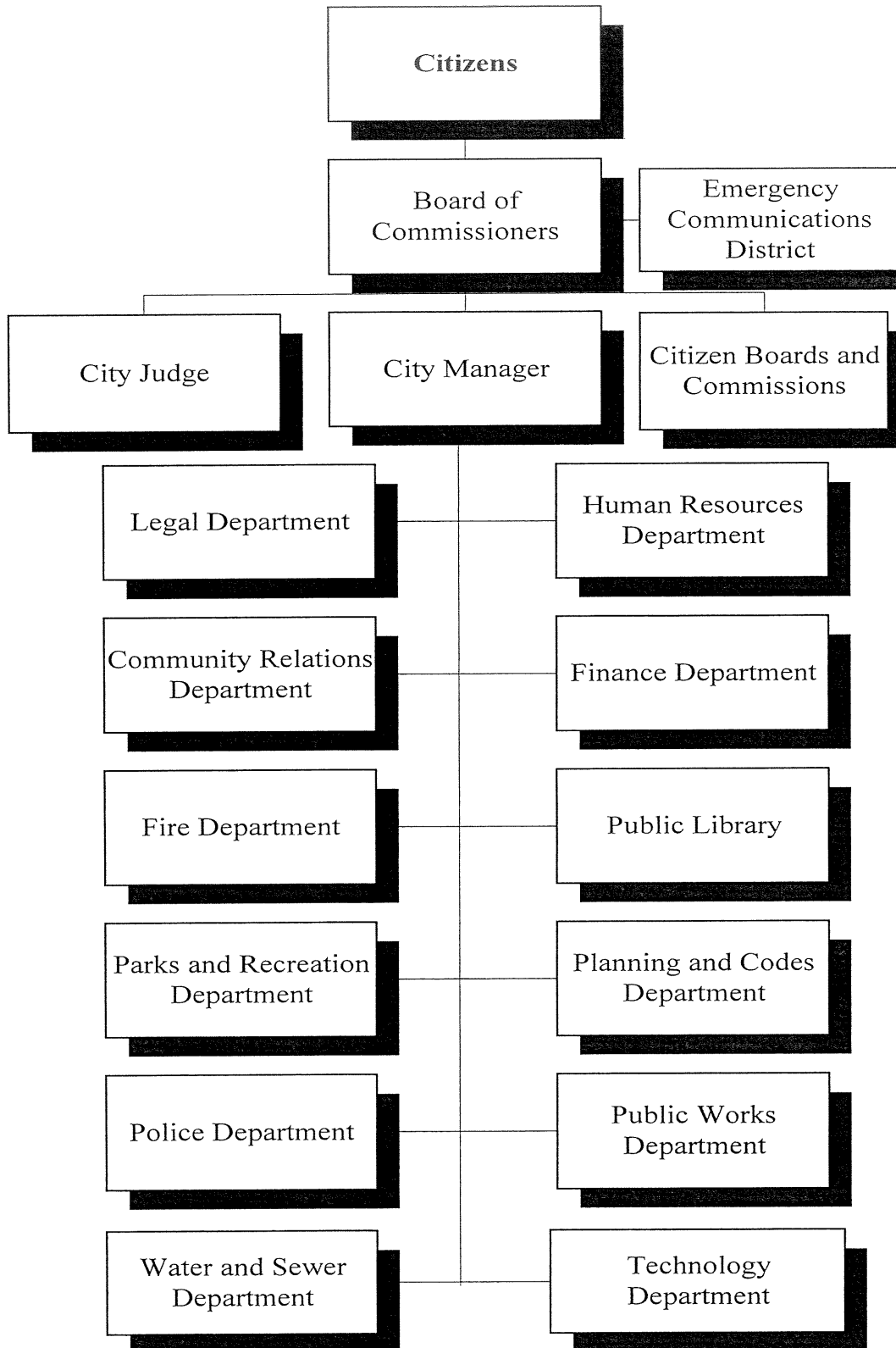
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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CITY OF BRENTWOOD

Organization Chart



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**CITY OF BRENTWOOD
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2006**

Elected:

Mayor	Brian J. Sweeney
Vice Mayor	Paul L. Webb
Commissioner	Anne Dunn
Commissioner	Joe Reagan
Commissioner	Regina R. Smithson

Appointed:

City Manager	Michael W. Walker
Assistant City Manager	Kirk E. Bednar
City Attorney/City Recorder	Roger A. Horner
Finance Director	Carson K. Swinford
City Treasurer	Karen W. Harper
Police Chief	Ricky V. Watson
Fire Chief	Kenneth V. Lane
Planning and Codes Director	Joseph P. Lassus
Public Works Director	Herbert R. Mize
Water and Sewer Director	John C. Grissom
Library Director	Charles A. Sherrill
Community Relations Director	Linda Lynch
Parks and Recreation Director	David M. Bunt
Technology Director	John I. Allman, IV
City Judge	Thomas Schlater

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Commissioners
City of Brentwood
Brentwood, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brentwood, Tennessee (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents, pages 19 through 52 inclusive. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brentwood, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006 on our consideration of the City'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Management's Discussion and Analysis on pages 3 through 18 and the Schedule of Funding Progress - Political Subdivision Pension Plan on page 58 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brentwood's basic financial statements. The accompanying financial information listed in the Required Supplementary Information, pages 53 - 57 and page 59; introductory information on pages i through xiii, combining and individual nonmajor fund statements on pages 60 through 66, the financial schedules on pages 67 through 73, and statistical sections on pages 74 through 95 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The required supplementary information on pages 53 - 57 and page 59, combining and individual nonmajor fund financial statements and financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kraft CPAs PLLC

Nashville, Tennessee
November 10, 2006

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Management's Discussion and Analysis

As management of the City of Brentwood, Tennessee (the "City" or the "City of Brentwood"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with our Letter of Transmittal (page i) and the City's financial statements (beginning on page 19).

Financial Highlights

- The assets of the City of Brentwood exceeded its liabilities at the close of the most recent fiscal year by \$202,802,553 (net assets). Of this amount, \$35,681,022 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$7,298,433 compared to prior year.
- As of the close of the current fiscal year, the City of Brentwood's governmental funds reported combined ending fund balances of \$36,822,834, an increase of \$7,159,243 in comparison with the prior year. Approximately 51% of this total amount, \$18,477,195, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$18,477,195, or 68% of FY 2007 budgeted operating general fund expenditures. This demonstrates the City's fiscal discipline and places the City in a strong financial position to meet unexpected emergencies, uncertainties at the State level or a general slowdown in the economy.
- The City of Brentwood's total debt decreased by \$3,517,305 during the current fiscal year. The key factor in this decrease was the payment of principal amounts for existing General Obligation debt (\$1.9M) and Water & Sewer debt (\$1.6M).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City of Brentwood's basic financial statements. The City of Brentwood's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 City of Brentwood's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Brentwood's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Brentwood is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Brentwood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Brentwood include general government, public safety, roads and streets, public health, parks and recreation, public library, and community support. The business-type activities of the City of Brentwood include the Water and Sewer Fund, Municipal Center Fund and Emergency Communications District.

The government-wide financial statements can be found on pages 19 - 20 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brentwood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Brentwood can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Brentwood maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21 - 24 of this report.

Proprietary funds. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Brentwood uses enterprise funds to account for activities in its Water and Sewer Fund, Municipal Center Fund and Emergency Communications District. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's various functions. The City of Brentwood does not use internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Municipal Center Fund and Emergency Communications District.

The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support a City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Brentwood maintains one fiduciary fund, the Post Employment Benefits Fund.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Brentwood adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. In addition, the City of Brentwood's progress in funding its obligation to provide pension benefits to its employees is presented. Required supplementary information can be found on pages 53 - 59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found on pages 60 - 66 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Brentwood, assets exceeded liabilities by \$202,802,553 as of June 30, 2006.

City of Brentwood, Tennessee
Net Assets - Primary Government
June 30, 2006 and 2005
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 48,198	\$ 40,908	\$ 7,779	\$ 7,691	\$ 55,977	\$ 48,599
Capital Assets	<u>143,797</u>	<u>144,398</u>	<u>53,968</u>	<u>52,232</u>	<u>197,765</u>	<u>196,630</u>
Total Assets	<u>191,995</u>	<u>185,306</u>	<u>61,747</u>	<u>59,923</u>	<u>253,742</u>	<u>245,229</u>
Long-term Liabilities Outstanding	29,119	26,192	8,748	10,312	37,867	36,504
Other Liabilities	<u>11,659</u>	<u>11,594</u>	<u>1,415</u>	<u>1,627</u>	<u>13,074</u>	<u>13,221</u>
Total Liabilities	<u>40,778</u>	<u>37,786</u>	<u>10,163</u>	<u>11,939</u>	<u>50,941</u>	<u>49,725</u>
Net Assets:						
Invested in Capital Assets, net of related debt	119,010	119,611	45,221	41,920	164,231	161,531
Restricted	2,621	2,774	270	270	2,891	3,044
Unrestricted	<u>29,587</u>	<u>25,135</u>	<u>6,094</u>	<u>5,794</u>	<u>35,681</u>	<u>30,929</u>
Total Net Assets	<u>\$ 151,218</u>	<u>\$ 147,520</u>	<u>\$ 51,585</u>	<u>\$ 47,984</u>	<u>\$ 202,803</u>	<u>\$ 195,504</u>

By far the largest portion of the City of Brentwood's net assets (81%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Brentwood uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Brentwood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets represents resources that are subject to restrictions as to how they may be used. These include net assets restricted for capital projects (\$1,593,488), roads and streets (\$561,571), community development projects (\$324,189) and other purposes (\$142,077).

At the end of the current fiscal year, the City of Brentwood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

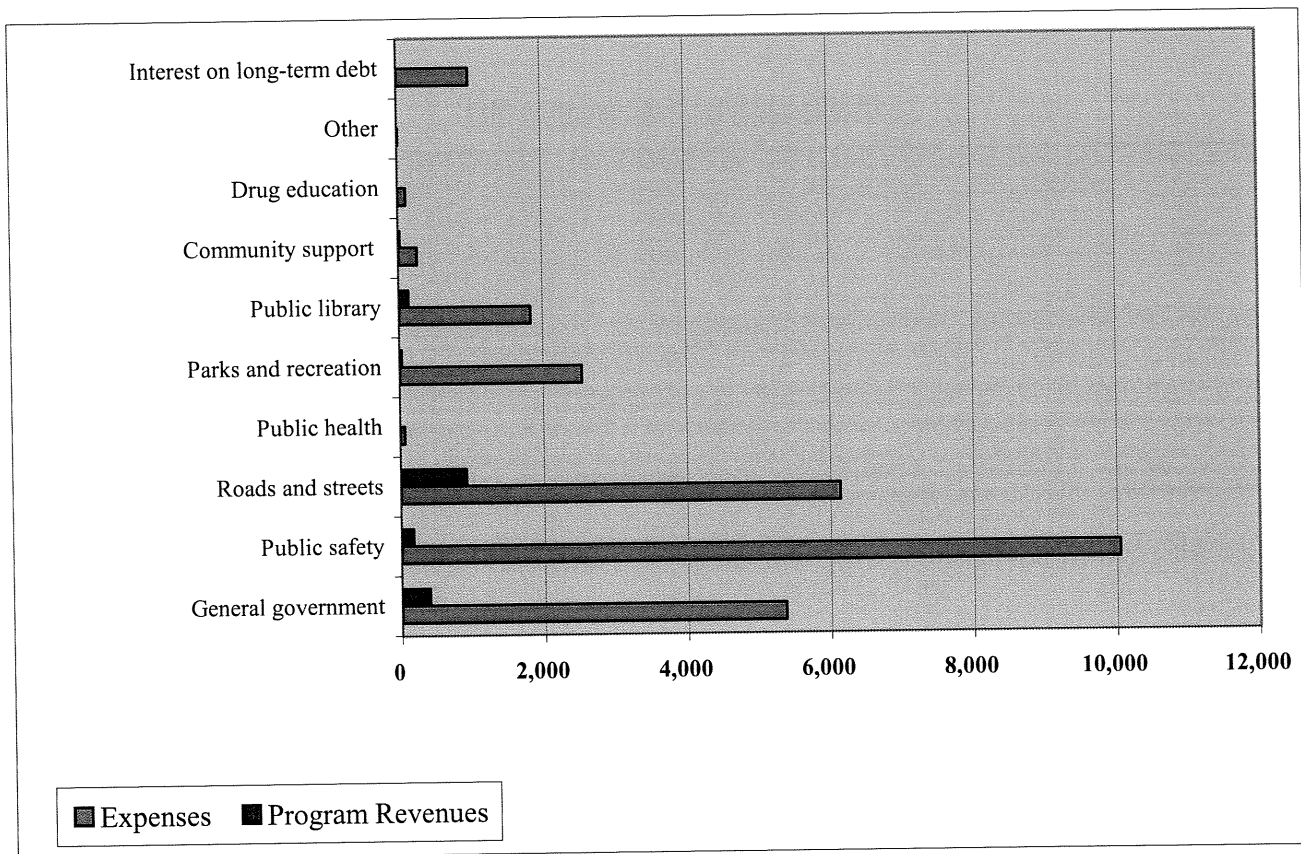
Governmental activities. Governmental activities increased the City of Brentwood's net assets by \$3,697,531, accounting for 51% of the total growth in the net assets of the City of Brentwood. Key elements of this increase are as follows:

The City's Changes in Net Assets
For the year ended June 30, 2006 and 2005
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Charges for services	\$ 626	\$ 417	\$ 14,095	\$ 12,575	\$ 14,721	\$ 12,992
Operating grants and contributions	1,039	1,047	-	-	1,039	1,047
Capital grants and contributions	-	3,339	-	-	-	3,339
General revenues:	-	-	-	-	-	-
Property taxes	8,931	8,474	-	-	8,931	8,474
Local option sales tax	10,098	8,692	-	-	10,098	8,692
Other business taxes	3,316	2,894	-	-	3,316	2,894
Licenses and permits	1,931	1,710	-	-	1,931	1,710
State sales tax, income tax, other taxes and contributions not restricted to specific programs	4,171	3,425	-	-	4,171	3,425
Unrestricted investment earnings	1,287	731	307	130	1,594	861
Miscellaneous	532	106	-	-	532	106
Loss on disposal of property and equipment	-	-	-	-	-	-
Total Revenues	31,931	30,835	14,402	12,705	46,333	43,540
Expenses:						
General government	5,364	4,508	-	-	5,364	4,508
Public safety	10,045	9,214	-	-	10,045	9,214
Roads and streets	6,135	7,051	-	-	6,135	7,051
Public health	63	71	-	-	63	71
Parks and recreation	2,536	1,806	-	-	2,536	1,806
Public library	1,828	1,705	-	-	1,828	1,705
Community support	262	240	-	-	262	240
Drug education	109	15	-	-	109	15
Interest on long-term debt	1,001	1,108	-	-	1,001	1,108
Other	10	20	-	-	10	20
Contribution to Post Employment Benefits Fund	617	300	60	-	677	300
Water and Sewer	-	-	9,751	9,033	9,751	9,033
Rental facilities	-	-	464	422	464	422
Emergency Communications	-	-	789	682	789	682
Total expenses	27,970	26,038	11,064	10,137	39,034	36,175
Increase in net assets before transfers	3,961	4,797	3,338	2,568	7,299	7,365
Transfers	(263)	(250)	263	250	-	-
Increase in net assets	3,698	4,547	3,601	2,818	7,299	7,365
Net assets - beginning	147,520	142,973	47,984	45,166	195,504	188,139
Net assets - ending	<u>\$ 151,218</u>	<u>\$ 147,520</u>	<u>\$ 51,585</u>	<u>\$ 47,984</u>	<u>\$ 202,803</u>	<u>\$ 195,504</u>

- Property taxes of \$8,929,991 were received in FY 2006, an increase of \$456,539 (5%) over the previous year, a result of the increase in the property tax base.
- Local sales taxes of \$10,098,176 were collected in FY 2006, an increase of \$1,406,400 (16%) over the previous year due to the opening of new commercial businesses in FY 2006.
- Other business taxes of \$3,315,881 were collected in FY 2006, an increase of \$421,534 (15%) over FY 2005. This increase was primarily due to: (1) Hotel/Motel tax collections of \$955,407, an increase of \$167,599 (21%) over prior year collections, due to increased vacancy, (2) Business tax collections of \$1,135,435, an increase of \$150,217 (15%) over FY 2005 collections, due to a robust economy and (3) Wholesale Liquor tax collections of \$355,926, an increase of \$149,906 (73%) over prior year collections, due to the opening of an additional commercial liquor store in FY 2006.
- State sales, income and other taxes of \$4,170,870 were received in FY 2006, an increase of \$670,166 (19%) over FY 2005 collections, due mainly to the increased investment market returns.
- Unrestricted investment earnings of \$1,287,069 were received in FY 2006, an increase of \$555,666 (76%) over prior year earnings. The City's investment earnings are mostly tied to the Federal Funds Rate, which increased in FY 2006 from 3.25 % to 5.25 %.
- The City did not receive any donated capital assets from developers and State in fiscal year 2006.

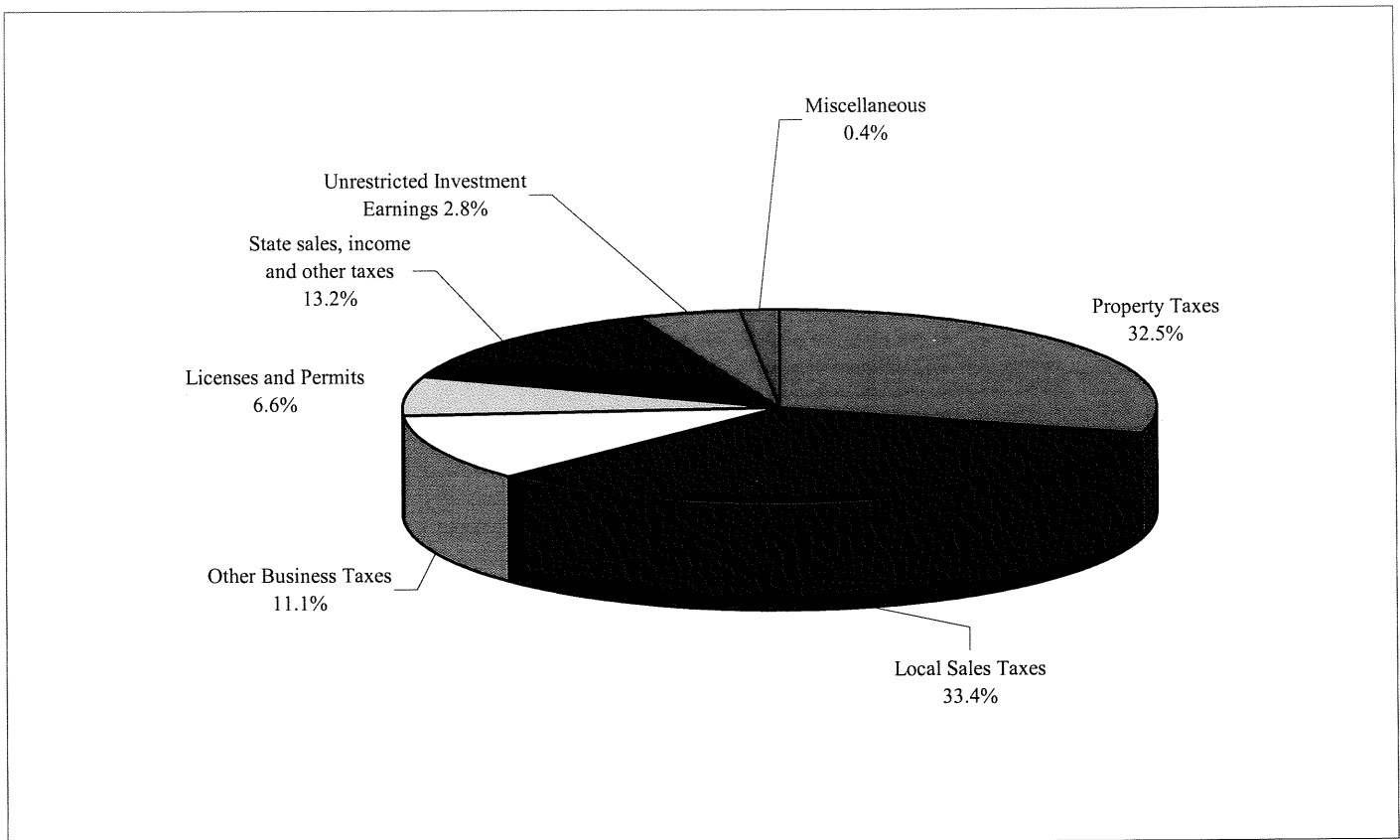
Expenses and Program Revenues – Governmental Activities



As the above graph shows, Public Safety is the largest activity, reflecting the City's commitment to a safe community. Roads and Streets was also a substantial activity. For the most part, expenses closely paralleled inflation and growth in the demand for services.

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Revenue by Source – Governmental Activities

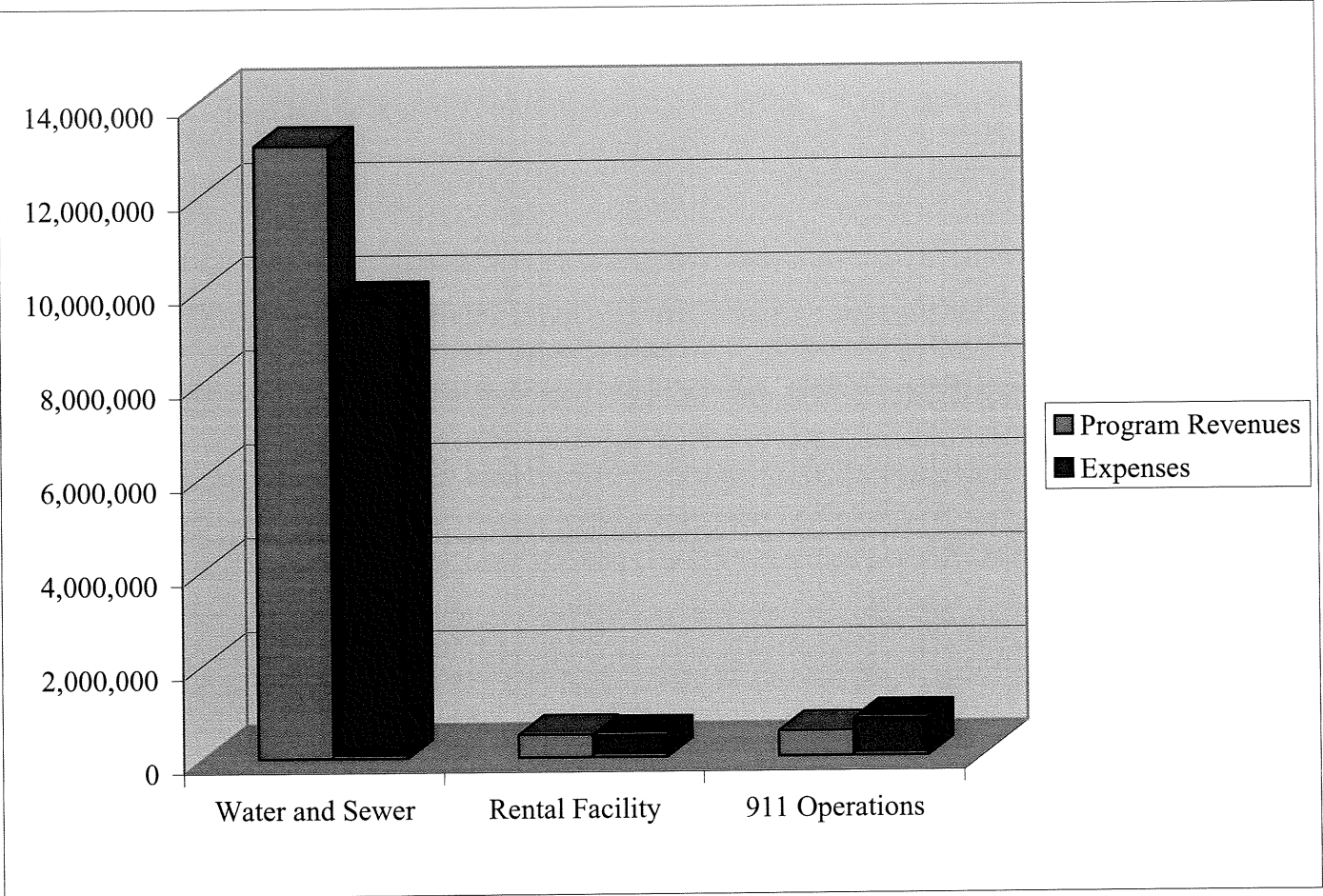


Business-type activities. Business-type activities increased the City of Brentwood's net assets by \$3,600,902, accounting for 50% of the total growth in the government's net assets. Key elements of this increase are as follows:

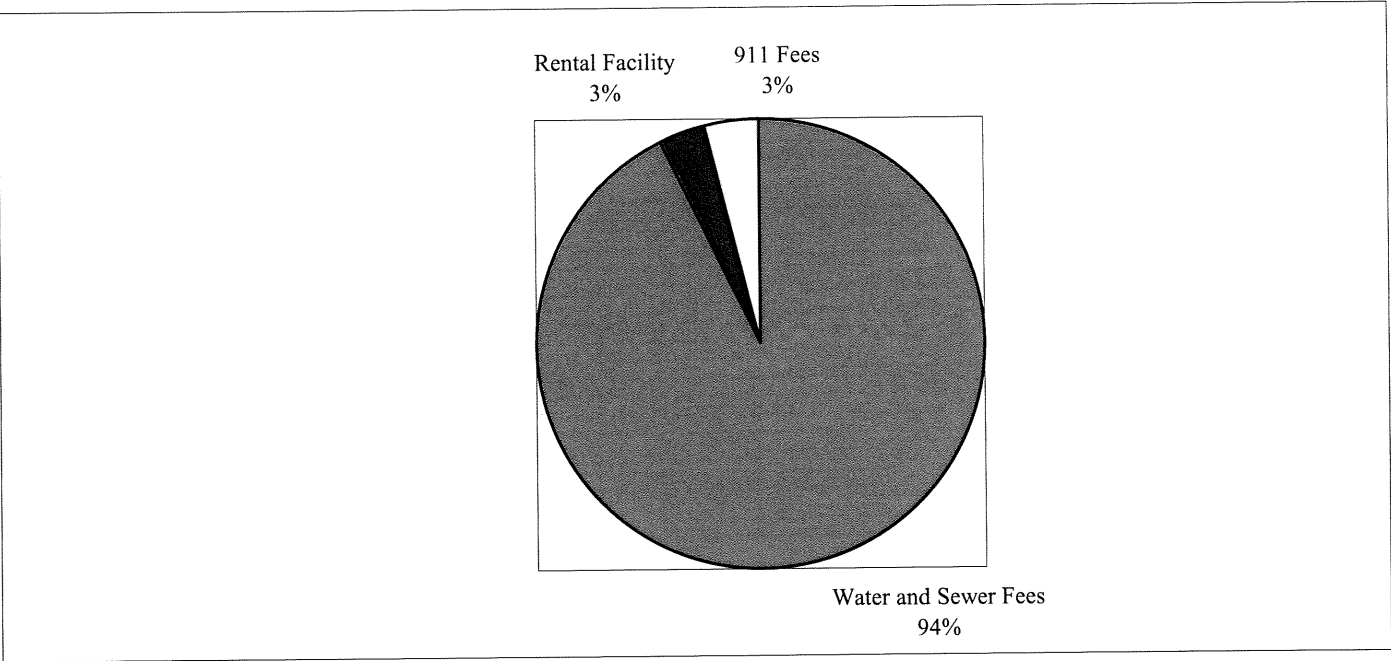
- The City's Water and Sewer Fund accounts for the majority (98%) of the increase in business-type net assets, with a net income of \$3,509,381 for the year. This is an increase of \$760,115 from the prior year. The increase in net income can mainly be attributed to the increase in net water (\$336,350) and sewer (\$302,455) revenues and revenues from sewer tap fees (\$539,790).
- The City's Municipal Center Fund recorded net income of \$52,959 for the year, an increase of \$16,009 from the previous year.
- The Emergency Communications District (ECD) recorded net income of \$38,562, an increase of \$7,263 from the previous year.

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Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



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Financial Analysis of the Government's Funds

As noted earlier, the City of Brentwood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Brentwood's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Brentwood's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Asset, Liabilities, and Fund Balances Total Governmental Funds June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Total assets	<u>\$ 48,304,511</u>	<u>\$ 41,268,739</u>
Total liabilities	<u>\$ 11,481,677</u>	<u>\$ 11,605,148</u>
Fund balances:		
Reserved	18,345,639	13,155,122
Unreserved	<u>18,477,195</u>	<u>16,508,469</u>
Total fund balances	<u>36,822,834</u>	<u>29,663,591</u>
Total liabilities and fund balances	<u>\$ 48,304,511</u>	<u>\$ 41,268,739</u>

As of the end of the current fiscal year, the City of Brentwood's governmental funds reported combined ending fund balances of \$36,822,834, an increase of \$7,159,243 in comparison with the prior year. Approximately 51% of this total amount (\$18,477,195) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for debt service (\$3,023,388), capital projects (\$14,618,603), roads and streets (\$561,571) and drug enforcement and education (\$142,077).

The general fund is the chief operating fund of the City of Brentwood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18,477,195. A measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 68% of total general fund expenditures.

Changes in Fund Balances of Governmental Funds
For the year ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Taxes	\$ 22,344,048	\$ 20,059,577
Licenses and permits	1,930,755	1,709,803
Fines and fees	392,005	226,857
Charges for services	234,322	189,845
Intergovernmental	5,209,874	4,471,886
Uses of money and property	1,287,069	731,403
Other	<u>532,213</u>	<u>106,310</u>
TOTAL REVENUES	<u>31,930,286</u>	<u>27,495,681</u>
EXPENDITURES		
Current:		
General government	4,457,292	4,220,253
Public safety	9,405,597	8,713,433
Roads and streets	3,676,825	3,180,765
Public health	63,753	71,764
Parks and recreation	1,284,465	1,125,016
Public library	1,645,071	1,518,773
Community support	241,243	239,793
Drug education	31,593	10,628
Other	5,395	-
Capital outlay	4,692,511	5,800,950
Contribution to Post Employment Benefit Fund	617,000	300,000
Debt service	<u>3,196,222</u>	<u>3,044,836</u>
TOTAL EXPENDITURES	<u>29,316,967</u>	<u>28,226,211</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,613,319</u>	<u>(730,530)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in/out (net)	(263,400)	(250,000)
Proceeds of general obligation bonds	4,800,000	-
Proceeds of refunding bonds	2,430,000	-
Payment to refunded bond escrow agent	(2,398,471)	-
Bond premium/discount (net)	<u>(22,205)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,545,924</u>	<u>(250,000)</u>
NET CHANGES IN FUND BALANCES	7,159,243	(980,530)
FUND BALANCE, BEGINNING OF YEAR	<u>29,663,591</u>	<u>30,644,121</u>
FUND BALANCE, END OF YEAR	<u>\$ 36,822,834</u>	<u>\$ 29,663,591</u>

The fund balance of the City of Brentwood's general fund increased by \$1,968,726 during the current fiscal year. Key factors in this fund for 2006 are mentioned previously and include:

- Local sales tax increased by \$1,406,400 (16%) compared to the previous year, a result of the opening of several new commercial businesses.
- State Income Tax (Hall Tax) increased by \$670,166 over FY 2005 due to higher investment market returns.
- The State Shared Sales tax increased by \$199,510 (11%) from the previous year.
- Residential and commercial property tax collections increased by \$456,539 (5%) over the previous year, a result of the increase in the property tax base.
- Wholesale Liquor tax increased by \$149,906 (73%) compared to FY 2005, the result of a new commercial liquor store opening.
- Hotel/Motel tax revenue increased by \$167,599 compared to FY 2005 due to increased vacancy.
- The general fund departments demonstrated fiscal responsibility by turning back unspent budget expenditures of \$518,339.

The debt service fund has a total fund balance of \$3,023,388 all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$71,382. Principal payments increased \$211,371 and interest payments decreased \$106,100 over FY 2005 amounts. Please see Note 5 for additional information on the City's long-term liabilities.

Proprietary funds. The City of Brentwood's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$5,095,198, for the Municipal Center Fund, \$500,769, and for the Emergency Communications District, \$498,493. The total growth in net assets for the funds was \$3,509,381, \$52,959 and \$38,562, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Brentwood's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget (\$2,724,911 in revenues, \$1,200,500 increase in current year appropriations) can be summarized as follows:

Revenues

Increases were made to the following accounts due to higher than originally projected revenue collections:

Local Sales Tax	\$ 1,550,500
Property Tax Collections	300,000
Wholesale Liquor Tax	175,000
Interest Income	150,000
Building Permits	140,000
Municipal Court Fines	116,000
State Shared Sales Tax	80,000
Corporate Excise Tax	43,500
TEMA Grant – Police	23,693
Fireman's Fund Heritage Grant - Fire	29,830
FEMA Grant – Fire	<u>116,388</u>
Total Change in Budgeted Revenues	<u>\$2,724,911</u>

The fund balance of the City of Brentwood's general fund increased by \$1,968,726 during the current fiscal year. Key factors in this fund for 2006 are mentioned previously and include:

- Local sales tax increased by \$1,406,400 (16%) compared to the previous year, a result of the opening of several new commercial businesses.
- State Income Tax (Hall Tax) increased by \$670,166 over FY 2005 due to higher investment market returns.
- The State Shared Sales tax increased by \$199,510 (11%) from the previous year.
- Residential and commercial property tax collections increased by \$456,539 (5%) over the previous year, a result of the increase in the property tax base.
- Wholesale Liquor tax increased by \$149,906 (73%) compared to FY 2005, the result of a new commercial liquor store opening.
- Hotel/Motel tax revenue increased by \$167,599 compared to FY 2005 due to increased vacancy.
- The general fund departments demonstrated fiscal responsibility by turning back unspent budget expenditures of \$518,339.

The debt service fund has a total fund balance of \$3,023,388 all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$71,382. Principal payments increased \$211,371 and interest payments decreased \$106,100 over FY 2005 amounts. Please see Note 5 for additional information on the City's long-term liabilities.

Proprietary funds. The City of Brentwood's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$5,095,198, for the Municipal Center Fund, \$500,769, and for the Emergency Communications District, \$498,493. The total growth in net assets for the funds was \$3,509,381, \$52,959 and \$38,562, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Brentwood's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget (\$2,724,911 in revenues, \$1,200,500 increase in current year appropriations) can be summarized as follows:

Revenues

Increases were made to the following accounts due to higher than originally projected revenue collections:

Local Sales Tax	\$ 1,550,500
Property Tax Collections	300,000
Wholesale Liquor Tax	175,000
Interest Income	150,000
Building Permits	140,000
Municipal Court Fines	116,000
State Shared Sales Tax	80,000
Corporate Excise Tax	43,500
TEMA Grant – Police	23,693
Fireman's Fund Heritage Grant - Fire	29,830
FEMA Grant – Fire	<u>116,388</u>
Total Change in Budgeted Revenues	<u>\$2,724,911</u>

Major capital asset events during the current fiscal year included the following:

- Bikeway extension and improvements from Forged Seat to Ravenwood High School via Primm Park, Montclair and Carriage Hills subdivision.
- Library improvements including a dumpster enclosure and building a glass partition between the circulation desk and adult reading room.
- Improvements to various parks including Crockett, Tower and Deerwood Arboretum.
- Substantial improvements to connector roads in the east side of Brentwood, including Waller Road and Liberty Church Road
- Completion on the Town Center Road Improvement project
- Various subdivision improvements to correct miscellaneous, minor storm drainage problems as identified through complaints and field inspection.
- Various building and system additions and improvements were completed in the Water and Sewer Fund at a cost of \$3,305,990.

City of Brentwood Capital Assets
(net of depreciation)
June 30, 2006 and 2005
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 66,619	\$ 65,476	\$ 611	\$ 611	\$ 67,230	\$ 66,087
Buildings and improvements	12,552	12,865	2,058	2,156	14,610	15,021
Utility plant in service	-	-	50,132	47,523	50,132	47,523
Improvements other than buildings	5,860	6,271	489	404	6,349	6,675
Machinery and equipment	4,302	4,602	389	273	4,691	4,875
Infrastructure	52,837	52,190	-	-	52,837	52,190
Construction in progress	1,628	2,995	289	1,265	1,917	4,260
Total Assets	<u>\$ 143,798</u>	<u>\$ 144,399</u>	<u>\$ 53,968</u>	<u>\$ 52,232</u>	<u>\$ 197,766</u>	<u>\$ 196,631</u>

Additional information on the City of Brentwood's capital assets can be found in Note 3 of this report.

Long-term bonded debt. At the end of the current fiscal year, the City of Brentwood had total long-term bonded debt outstanding of \$36,207,104. Of this amount, \$27,195,000 comprises debt backed by the full faith and credit of the City and \$9,012,104 comprises bonds secured solely by specified revenue sources (i.e. revenue bonds).

**City of Brentwood Outstanding Debt
General Obligation and Revenue Bonds
June 30, 2006 and 2005
(amounts expressed in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 27,195	\$ 24,430	\$ -	\$ -	\$ 27,195	\$ 24,430
Revenue and tax bonds	-	-	8,065	9,385	8,065	9,385
State of Tennessee loan revenue bond	-	-	947	1,187	947	1,187
Total	<u>\$ 27,195</u>	<u>\$ 24,430</u>	<u>\$ 9,012</u>	<u>\$ 10,572</u>	<u>\$ 36,207</u>	<u>\$ 35,002</u>

The City of Brentwood's total long-term debt increased by \$1,205,147 (4%) during the current fiscal year. The key factor in this increase was the net effect of bond proceeds from a January 2006 General Obligation issuance (\$4.8M) and the payment of principal amounts for existing General Obligation debt (\$2.2M) and Water /Sewer debt (\$1.6M).

In addition to the new bond issue of \$4,800,000, the City issued \$2,430,000 of General Obligation Public Improvement Refunding Bonds. The bonds were issued for the purpose of refunding \$2,300,000 of previously issued General Obligation Bonds. The result is expected to decrease future debt service payments by \$130,412. Please refer to Note 5 for additional information on the bond refunding.

Also during the year, the City issued \$1,775,000 of Water Revenue and Tax Refunding Bonds. The bonds were issued for the purpose of refunding \$1,730,000 of previously issued Water Revenue and Tax Bonds. The result is expected to decrease future debt service payments by \$136,092. Please refer to Note 5 for additional information on the bond refunding.

The City of Brentwood maintains an "Aaa" rating from Moody's Investors Service for its general obligation and revenue and tax bonds debt. This is the highest bond rating possible and will permit the City to receive favorable interest rates on our bonds.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. The total long-term bonded debt outstanding for the City of Brentwood of \$36,207,104 translates to approximately \$1,183 per capita using the 2004 special census population.

Additional information on the City of Brentwood's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Williamson County is currently 3.1%, which is a decrease from a rate of 4.2% a year ago. This compares favorably to the state's average unemployment rate of 5.9% and the national average rate of 4.8%.
- The office space occupancy rate of the City of Brentwood's central business district was 93.1% for 2006.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Brentwood's budget for the 2006 fiscal year.

During the current fiscal year, the total fund balance in the general fund increased to \$18,477,195. The City of Brentwood has not appropriated any of this amount for spending in the 2006 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Brentwood's finances for all those with an interest in the government'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
PO Box 788
Brentwood, Tennessee 37024-0788
E-mail: financedirector@brentwood-tn.org

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BASIC FINANCIAL STATEMENTS

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CITY OF BRENTWOOD, TENNESSEE

STATEMENT OF NET ASSETS

JUNE 30, 2006

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 24,440,274	\$ 5,943,124	\$ 30,383,398
Property tax receivable	9,298,651	-	9,298,651
Sales tax receivable	1,238,185	-	1,238,185
Intergovernmental revenue receivable	2,124,037	-	2,124,037
Accounts receivable	222,044	1,668,712	1,890,756
Internal balances	356,996	(356,996)	-
Inventories	60,329	145,554	205,883
Investments	10,000,000	-	10,000,000
Restricted assets:			
Cash	289,189	-	289,189
Investments	35,000	-	35,000
Capital assets:			
Utility plant in service	-	71,347,347	71,347,347
Land	66,618,850	610,716	67,229,566
Buildings and structures	15,211,494	3,748,476	18,959,970
Improvements other than buildings	10,543,427	783,156	11,326,583
Furniture, machinery and equipment	11,628,374	2,255,558	13,883,932
Infrastructure	126,503,576	-	126,503,576
Construction in progress	1,627,937	289,215	1,917,152
Accumulated depreciation	(88,335,461)	(25,066,249)	(113,401,710)
Other noncurrent assets	133,568	378,381	511,949
Total assets	<u>191,996,470</u>	<u>61,746,994</u>	<u>253,743,464</u>
LIABILITIES			
Accounts payable	1,388,576	1,092,137	2,480,713
Accrued salaries and benefits	-	159,098	159,098
Accrued interest	243,897	102,629	346,526
Other payables	167,154	60,743	227,897
Unearned revenue	9,859,824	-	9,859,824
Long-term liabilities:			
Due within one year	2,965,000	1,142,645	4,107,645
Due in more than one year	26,154,243	7,604,965	33,759,208
Total liabilities	<u>40,778,694</u>	<u>10,162,217</u>	<u>50,940,911</u>
NET ASSETS			
Invested in capital assets, net of related debt	119,009,889	45,220,609	164,230,498
Restricted for:			
Roads and streets	561,571	-	561,571
Capital projects	1,593,488	-	1,593,488
Debt retirement	-	269,708	269,708
Community development projects	324,189	-	324,189
Other purposes	142,077	-	142,077
Unrestricted	29,586,562	6,094,460	35,681,022
Total net assets	<u>\$ 151,217,776</u>	<u>\$ 51,584,777</u>	<u>\$ 202,802,553</u>

See accompanying notes to financial statements

CITY OF BRENTWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental Activities:							
General government	\$ 5,364,225	\$ 392,005	\$ -	\$ -	\$ (4,972,220)	\$ -	\$ (4,972,220)
Public safety	10,043,600	-	170,632	-	(9,872,968)	-	(9,872,968)
Roads and streets	6,134,385	55,324	861,872	-	(5,217,189)	-	(5,217,189)
Public health	63,753	-	-	-	(63,753)	-	(63,753)
Parks and recreation	2,535,784	29,101	-	-	(2,506,683)	-	(2,506,683)
Public library	1,828,744	125,556	6,500	-	(1,696,688)	-	(1,696,688)
Community support	261,678	24,341	-	-	(237,337)	-	(237,337)
Drug education	108,669	-	-	-	(108,669)	-	(108,669)
Other	10,368	-	-	-	(10,368)	-	(10,368)
Interest on long-term debt	1,001,149	-	-	-	(1,001,149)	-	(1,001,149)
Total governmental activities	27,352,355	626,327	1,039,004	-	(25,687,024)	-	(25,687,024)
Business-type activities:							
Water and Sewer	9,751,321	13,065,468	-	-	-	3,314,147	3,314,147
Rental facilities	463,648	490,188	-	-	-	26,540	26,540
911 operations	788,595	538,212	-	-	-	(250,383)	(250,383)
Total business-type activities	11,003,564	14,093,868	-	-	-	3,090,304	3,090,304
Total primary government	\$ 38,355,919	\$ 14,720,195	\$ 1,039,004	\$ -	(25,687,024)	3,090,304	(22,596,720)
General Revenues:							
Taxes:							
Property taxes					8,929,991	-	8,929,991
Local option sales tax					10,098,176	-	10,098,176
Other business taxes					3,315,881	-	3,315,881
Licenses and permits					1,930,755	-	1,930,755
State sales, income and other taxes					4,170,870	-	4,170,870
Unrestricted investment earnings					1,287,069	307,198	1,594,267
Miscellaneous					532,213	-	532,213
Contributions to Post Employment Benefit Fund					(617,000)	(60,000)	(677,000)
Transfers					(263,400)	263,400	-
Total general revenues and transfers					29,384,555	510,598	29,895,153
Change in net assets					3,697,531	3,600,902	7,298,433
Net Assets - beginning					147,520,245	47,983,875	195,504,120
Net Assets - ending					\$ 151,217,776	\$ 51,584,777	\$ 202,802,553

See accompanying notes to financial statements

CITY OF BRENTWOOD, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

ASSETS	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 10,559,471	\$ 1,019,654	\$ 9,515,945	\$ 3,345,204	\$ 24,440,274
Receivables:					
Property tax	9,298,651	-	-	-	9,298,651
Sales tax	1,238,185	-	-	-	1,238,185
Intergovernmental	1,975,150	-	-	148,887	2,124,037
Accounts	222,044	-	-	-	222,044
Due from other funds:					
Water and Sewer	520,190	-	-	-	520,190
Municipal Center	-	-	26,430	-	26,430
Emergency Communications District	-	-	10,645	-	10,645
General Fund	-	3,734	-	13,129	16,863
Equipment Replacement Fund	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-
Drug Fund	2,000	-	-	20,674	22,674
Inventories of supplies	60,329	-	-	-	60,329
Investments	5,000,000	2,000,000	3,000,000	-	10,000,000
Restricted assets:					
Cash and cash equivalents	172,195	-	116,994	-	289,189
Investments	35,000	-	-	-	35,000
TOTAL ASSETS	\$ 29,083,215	\$ 3,023,388	\$ 12,670,014	\$ 3,527,894	\$ 48,304,511
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 562,023	\$ -	\$ 761,136	\$ 65,417	\$ 1,388,576
Accrued salaries	-	-	-	-	-
Due to other funds:					
General Fund	-	-	-	2,000	2,000
Debt Service Fund	3,734	-	-	-	3,734
Equipment Replacement Fund	13,129	-	-	20,674	33,803
Municipal Center Fund	-	-	18,035	8,395	26,430
Water and Sewer	-	-	-	-	-
Emergency Communication	156	-	-	-	156
Capital Projects Fund	-	-	-	-	-
Other payables	167,154	-	-	-	167,154
Retainage payable	-	-	-	-	-
Deferred revenues	9,859,824	-	-	-	9,859,824
TOTAL LIABILITIES	10,606,020	-	779,171	96,486	11,481,677
COMMITMENTS AND CONTINGENCIES					
FUND BALANCES:					
Fund balance:					
Reserved for debt service	-	3,023,388	-	-	3,023,388
Reserved for capital projects	-	-	11,890,843	2,727,760	14,618,603
Reserved for street repairs	-	-	-	561,571	561,571
Reserved for drug enforcement and education	-	-	-	142,077	142,077
Unreserved	18,477,195	-	-	-	18,477,195
TOTAL FUND BALANCES	18,477,195	3,023,388	11,890,843	3,431,408	36,822,834
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,083,215	\$ 3,023,388	\$ 12,670,014	\$ 3,527,894	\$ 48,304,511

See accompanying notes to financial statements

CITY OF BRENTWOOD, TENNESSEE

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2006

Total Governmental Funds Balances		\$ 36,822,834
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		143,798,197
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(243,897)
Interfund payable, not due and payable in current period and therefore not reported in governmental funds		(173,683)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable	(27,195,000)	
Less deferred charges on refunding bonds	490,680	
Less bond discount	182,466	
Less bond issuance costs	133,568	
Compensated absences	<u>(2,597,389)</u>	
		<u>(28,985,675)</u>
Net Assets of Governmental Activities		<u>\$ 151,217,776</u>

See accompanying notes to financial statements

CITY OF BRENTWOOD, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 22,344,048	\$ -	\$ -	\$ -	\$ 22,344,048
Licenses and permits	1,284,070	-	-	646,685	1,930,755
Fines and fees	392,005	-	-	-	392,005
Charges for services	234,322	-	-	-	234,322
Intergovernmental	4,348,002	-	-	861,872	5,209,874
Uses of money and property	660,909	155,812	341,314	129,034	1,287,069
Other	29,105	-	356,890	146,218	532,213
TOTAL REVENUES	29,292,461	155,812	698,204	1,783,809	31,930,286
EXPENDITURES					
Current:					
General government	4,457,292	-	-	-	4,457,292
Public safety	9,405,597	-	-	-	9,405,597
Roads and streets	2,793,246	-	-	883,579	3,676,825
Public health	63,753	-	-	-	63,753
Parks and recreation	1,284,465	-	-	-	1,284,465
Public library	1,645,071	-	-	-	1,645,071
Community support	241,243	-	-	-	241,243
Drug education	-	-	-	31,593	31,593
Other	-	5,395	-	-	5,395
Capital outlay	-	-	4,044,577	647,934	4,692,511
Contribution to Post Employment Benefits Fund	617,000	-	-	-	617,000
Debt service	-	3,178,232	17,990	-	3,196,222
TOTAL EXPENDITURES	20,507,667	3,183,627	4,062,567	1,563,106	29,316,967
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,784,794	(3,027,815)	(3,364,363)	220,703	2,613,319
OTHER FINANCING SOURCES (USES)					
Transfers in	-	3,067,668	3,505,000	695,000	7,267,668
Transfers out	(6,816,068)	-	-	(715,000)	(7,531,068)
Proceeds of refunding bonds	-	2,430,000	-	-	2,430,000
Payment to refunded bond escrow agent	-	(2,398,471)	-	-	(2,398,471)
Proceeds of general obligation bonds	-	-	4,800,000	-	4,800,000
Bond discount	-	-	(22,205)	-	(22,205)
TOTAL OTHER FINANCING SOURCES (USES)	(6,816,068)	3,099,197	8,282,795	(20,000)	4,545,924
NET CHANGE IN FUND BALANCE	1,968,726	71,382	4,918,432	200,703	7,159,243
FUND BALANCE, BEGINNING OF YEAR	16,508,469	2,952,006	6,972,411	3,230,705	29,663,591
FUND BALANCE, END OF YEAR	\$ 18,477,195	\$ 3,023,388	\$ 11,890,843	\$ 3,431,408	\$ 36,822,834

See accompanying notes to financial statements.

CITY OF BRENTWOOD, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Net Change in Fund Balance - Governmental Funds \$ 7,159,243

Amounts reported for governmental activities in the Statement of Activities different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:

Acquisition of capital assets	5,318,058
Depreciation expense	(5,919,017)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	2,165,000
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Repayment of interfund borrowing is an expenditure in the governmental funds, but reduces internal balances in governmental activities	17,830
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Interest is accrued on the outstanding bonds in the Statement of Activities, whereas in the governmental funds, an interest expenditure is reported when due:

Accrued interest on debt obligations at June 30, 2006	(243,897)
Accrued interest on debt obligations at June 30, 2005	261,531

Bond proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term obligations for governmental activities.	(7,230,000)
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Governmental funds report the effects of bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities:

Payments to refunded bond escrow agent	2,398,471
Bond discount	33,447
Bond issue costs	38,277
Amortization of bond related costs	(54,910)

Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

Change in accrual for compensated absences	<u>(246,502)</u>
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Change in Net Assets of Governmental Activities \$ 3,697,531

See accompanying notes to financial statements

CITY OF BRENTWOOD, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2006

	WATER AND SEWER FUND	MUNICIPAL CENTER FUND	EMERGENCY COMMUNICATIONS DISTRICT	TOTAL
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,815,031	\$ 521,567	\$ 606,526	\$ 5,943,124
Receivables:				
Accounts	659,902	-	53,404	713,306
Due from other funds:				
General Fund	-	-	156	156
Equipment Replacement	-	8,395	-	8,395
Capital Projects	-	18,035	-	18,035
Unbilled utility revenue	955,406	-	-	955,406
Inventories of supplies	145,554	-	-	145,554
Restricted cash and cash equivalents	-	-	-	-
Total Current Assets	6,575,893	547,997	660,086	7,783,976
Noncurrent Assets:				
Debt service escrow (state loan)	269,708	-	-	269,708
Property, plant and equipment, net of accumulated depreciation	51,008,641	2,775,763	183,815	53,968,219
Bond issue costs and discounts, net of amortization	108,673	-	-	108,673
Due from governmental activities	173,683	-	-	173,683
Total Noncurrent Assets	51,560,705	2,775,763	183,815	54,520,283
Total Assets	58,136,598	3,323,760	843,901	62,304,259
LIABILITIES				
Current Liabilities (payable from current assets):				
Current maturities of long-term debt	1,142,645	-	-	1,142,645
Accounts payable	969,252	20,798	102,087	1,092,137
Accrued salaries	-	-	-	-
Accrued interest	102,629	-	-	102,629
Due to General Fund	520,190	-	-	520,190
Due to Capital Projects Fund	-	26,430	10,645	37,075
Other payables	54,988	-	5,755	60,743
Compensated absences payable	115,992	-	43,106	159,098
Current liabilities (payable from restricted assets):				
Retainage payable	-	-	-	-
Total Current Liabilities (payable from current assets)	2,905,696	47,228	161,593	3,114,517
Noncurrent Liabilities:				
Long-term debt, net of current maturities	7,604,965	-	-	7,604,965
Total Noncurrent Liabilities	7,604,965	-	-	7,604,965
Total Liabilities	10,510,661	47,228	161,593	10,719,482
NET ASSETS				
Invested in capital assets, net of related debt	42,261,031	2,775,763	183,815	45,220,609
Restricted for debt service	269,708	-	-	269,708
Unrestricted	5,095,198	500,769	498,493	6,094,460
TOTAL NET ASSETS	\$ 47,625,937	\$ 3,276,532	\$ 682,308	\$ 51,584,777

See accompanying notes to financial statements

CITY OF BRENTWOOD, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>WATER AND SEWER FUND</u>	<u>MUNICIPAL CENTER FUND</u>	<u>EMERGENCY COMMUNICATIONS DISTRICT</u>	<u>TOTAL</u>
OPERATING REVENUES				
Water sales, pledged as security on revenue bonds	\$ 5,782,348	\$ -	\$ -	\$ 5,782,348
Sewer service charges, pledged as security on revenue bonds	4,361,055	-	-	4,361,055
Rental income	-	490,188	-	490,188
911 Fees	-	-	478,212	478,212
Other	2,922,065	-	60,000	2,982,065
	<u>13,065,468</u>	<u>490,188</u>	<u>538,212</u>	<u>14,093,868</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Water purchased	3,083,177	-	-	3,083,177
Depreciation and amortization	1,857,639	147,975	74,965	2,080,579
Sewerage treatment charges	1,101,849	-	-	1,101,849
Salaries and benefits	1,300,506	-	576,845	1,877,351
Maintenance	701,891	112,799	30,505	845,195
Utilities	249,049	112,179	230	361,458
Professional services	425,296	24,110	6,975	456,381
Communications	-	40,949	73,709	114,658
Other	629,932	25,636	25,366	680,934
	<u>9,349,339</u>	<u>463,648</u>	<u>788,595</u>	<u>10,601,582</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	<u>3,716,129</u>	<u>26,540</u>	<u>(250,383)</u>	<u>3,492,286</u>
NONOPERATING REVENUES (EXPENSES)				
Contribution to Post Employment Benefits Fund	(60,000)	-	-	(60,000)
Interest income	255,234	26,419	25,545	307,198
Interest expense	(401,982)	-	-	(401,982)
	<u>(206,748)</u>	<u>26,419</u>	<u>25,545</u>	<u>(154,784)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)				
TRANSFERS IN	-	-	263,400	263,400
CHANGE IN NET ASSETS	3,509,381	52,959	38,562	3,600,902
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>44,116,556</u>	<u>3,223,573</u>	<u>643,746</u>	<u>47,983,875</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 47,625,937</u>	<u>\$ 3,276,532</u>	<u>\$ 682,308</u>	<u>\$ 51,584,777</u>

See accompanying notes to financial statements.

CITY OF BRENTWOOD, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS -TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER AND SEWER FUND	MUNICIPAL CENTER FUND	EMERGENCY COMMUNICATIONS DISTRICT	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 13,050,774	\$ 490,188	\$ 543,831	\$ 14,084,793
Payments to suppliers	(6,347,450)	(303,937)	(23,340)	(6,674,727)
Payments to employees	(1,329,286)	-	(595,030)	(1,924,316)
Net cash provided by (used in) operating activities	5,374,038	186,251	(74,539)	5,485,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net receipts (payments) on interfund borrowing	(307,900)	-	-	(307,900)
Contribution (transfer) from General Fund	-	-	263,400	263,400
Net cash provided by (used in) noncapital financing activities	(307,900)	-	263,400	(44,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,562,326)	(147,371)	(174,321)	(3,884,018)
Proceeds from bond issue	1,775,000	-	-	1,775,000
Payment of bond issue costs	(21,520)	-	-	(21,520)
Principal paid on long-term debt	(3,334,853)	-	-	(3,334,853)
Interest paid on long-term debt	(410,289)	-	-	(410,289)
Contribution to Post Employment Benefit Fund	(60,000)	-	-	(60,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(5,613,988)	(147,371)	(174,321)	(5,935,680)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	255,234	26,419	25,545	307,198
NET INCREASE IN CASH AND CASH EQUIVALENTS	(292,616)	65,299	40,085	(187,232)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,107,647	456,268	566,441	6,130,356
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,815,031	\$ 521,567	\$ 606,526	\$ 5,943,124
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 3,716,129	\$ 26,540	\$ (250,383)	\$ 3,492,286
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,857,639	147,975	74,965	2,080,579
(Increase) decrease in:				
Accounts receivable	62,287	-	5,619	67,906
Unbilled utility revenue	(76,981)	-	-	(76,981)
Inventories of supplies	5,411	-	-	5,411
Increase (decrease) in:				
Accounts payable	(164,498)	11,736	102,956	(49,806)
Due to (from) other funds	2,336	-	10,489	12,825
Accrued expenses	(28,285)	-	(18,185)	(46,470)
TOTAL ADJUSTMENTS	1,657,909	159,711	175,844	1,993,464
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 5,374,038	\$ 186,251	\$ (74,539)	\$ 5,485,750
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capitalized interest	\$ 24,043	\$ -	\$ -	\$ 24,043

See accompanying notes to financial statements.

CITY OF BRENTWOOD, TENNESSEE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>TRUST FUND</u>
	<u>POST EMPLOYMENT</u>
	<u>BENEFITS FUND</u>
ASSETS	
Cash and cash equivalents	\$ <u>999,474</u>
TOTAL ASSETS	<u>999,474</u>
NET ASSETS HELD IN TRUST FOR BENEFITS	
Fund balance reserved for employee's post employment benefits	<u>999,474</u>
TOTAL NET ASSETS	<u>\$ <u>999,474</u></u>

See accompanying notes to financial statements.

CITY OF BRENTWOOD, TENNESSEE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>TRUST FUND</u>
	<u>POST EMPLOYMENT</u>
	<u>BENEFITS FUND</u>
ADDITIONS	
Contributions:	
General Fund	\$ 617,000
Water and Sewer Fund	60,000
Investment earnings:	
Interest	<u>39,173</u>
Total Additions	<u>716,173</u>
DEDUCTIONS	
Benefits	<u>16,699</u>
Change in Net Assets	<u>699,474</u>
NET ASSETS HELD IN TRUST FOR BENEFITS	
Beginning of year	<u>300,000</u>
End of year	<u>\$ 999,474</u>

See accompanying notes to financial statements.

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CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The City of Brentwood (the "City"), located in Williamson County, Tennessee, was incorporated May 13, 1969. The City operates under a City Manager-Commission form of government and provides the following services and facilities, as authorized by its charter: general administrative services, public safety (police and fire protection), roads and streets, parks and recreation, public library, community support, water and sewer utility services and emergency communications services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Brentwood Emergency Communications District was established in September 2002 and, in accordance with § 24-52 of the *Brentwood Municipal Code*, the Board of Commissioners of the City of Brentwood, Tennessee shall act as the Board of Directors for the District. Due to the "shared governing body" with the primary government, the Emergency Communications District is presented as a blended component unit within the proprietary funds of the June 30, 2006 Comprehensive Annual Financial Report. Each discretely presented component unit, if any, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. As of June 30, 2006 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, the statement of net assets and the statement of changes in net assets, report information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which the City has legal title to the money. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, at which time it is recognized as revenue.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *capital projects fund* accounts for the acquisition, design and construction of the major capital improvement projects of the City other than improvements financed by the proprietary funds.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the water and sewer department, which operates and maintains a water distribution and a sewer collection system for residents and businesses on a user charge basis. All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The *Municipal Center Fund* accounts for the rental operations of the Municipal Center.

The *Brentwood Emergency Communication District* provides for operation, maintenance, funding and enhancement of the City's existing emergency communications system.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The fiduciary fund accounts for assets held by the City in a trustee capacity or as an agent on behalf of other. Trust funds account for assets held by the government under terms of a formal trust agreement. The City reports the following fiduciary funds:

The *Post Employment Benefits Fund* accumulates funds for the payment of post employment life and health insurance benefits for qualified employees as determined under City policy based on minimum age and years of service at the time of retirement.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned.

Amounts reported as program revenues include 1) charges to the customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary water and sewer and the municipal center funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the emergency communications district are emergency telephone service charges levied on residential and business service users. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist primarily of demand deposits, short-term (original maturities of three months or less) certificates of deposit and investments in the Local Government Investment Pool of the State of Tennessee. The debt service escrow (state loan), funds held by the State of Tennessee, is not considered to be a cash equivalent by management of the City.

Statutes authorize the City 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. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and short-term certificates of deposit. 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.

The State of Tennessee Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments

Investments consist primarily of certificates of deposit and are stated at cost, which approximates fair value.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Interfund Receivables/Payables

During the year, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as "due to/from other funds". Other activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories of Supplies and Prepaid Items

Inventories of supplies are valued at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain assets of the general fund, the drug special revenue fund, the capital projects fund and the water and sewer enterprise fund are classified as restricted assets because their use is limited by applicable debt or other agreements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, \$24,043 of capitalized interest was recorded.

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 50 years
Improvements other than buildings	10 - 20 years
Utility plant in service	33 - 50 years
Machinery, equipment and vehicles	5 - 20 years
Computer equipment and software	3 - 5 years
Road system infrastructure	10 - 45 years
Sidewalks	30 years
Bridges	60 years

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The City's 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.

All annual leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee terminations or retirements. The liability will be liquidated from the general fund, the water and sewer fund and the emergency communications district.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside third-party for specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The City's property tax is levied for the current fiscal year each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1 and as such an enforceable legal claim to the subsequent fiscal year levy exists at year end.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public utility property	55%
Industrial and commercial property:	
Real	40%
Personal	30%
Residential, agricultural, homebelt, forest and farm property	25%

Taxes were levied at the rate of \$.59 per \$100 of assessed valuation for the year ended June 30, 2006.

Payments may be made during the period from October 1 through February 28 and are delinquent on March 1. Current tax collections of \$8,153,723 were reported as revenue for the year ended June 30, 2006, and were approximately 96.5% of the tax levy.

Of the \$9,298,651 property taxes receivable, \$8,885,916 represents the estimated net realizable 2006 property taxes. This receivable is reported in the Balance Sheet - Governmental Funds with offsetting deferred revenue for the amounts not available at June 30, 2006. Amounts available at June 30, 2006 have been recorded as revenue in the governmental fund statements.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents and investments at June 30, 2006 were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public fund accounts for the City. The amount of collateral required to secure these public deposits must be equal to 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Custodial risk is the risk that in the event of a bank failing, the City's deposits may not be returned to it. The government does not have a formalized written policy for custodial risk. As of June 30, 2006, the City's deposits were fully insured or collateralized.

A reconciliation of cash and cash equivalents as shown on the statement of net assets follows:

Carrying amount of deposits	\$ 40,589,393
Deposits in State of Tennessee Local Government Investment Pool	116,994
Cash on hand	<u>1,200</u>
Total	<u>\$ 40,707,587</u>
Cash and cash equivalents	\$ 30,383,398
Cash and cash equivalents - restricted	289,189
Investments	10,000,000
Investments - restricted	<u>35,000</u>
Total	<u>\$ 40,707,587</u>

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 65,475,660	\$ 1,143,190	\$ -	\$ 66,618,850
<u>Capital assets being depreciated:</u>				
Buildings and improvements	15,211,494	-	-	15,211,494
Improvements other than buildings	10,414,149	129,278	-	10,543,427
Machinery and equipment	11,062,212	566,162	-	11,628,374
Infrastructure	121,657,056	4,846,520	-	126,503,576
Construction in progress	<u>2,995,029</u>	<u>1,440,798</u>	<u>(2,807,890)</u>	<u>1,627,937</u>
Total capital assets being depreciated:	<u>161,339,940</u>	<u>6,982,758</u>	<u>(2,807,890)</u>	<u>165,514,808</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(2,346,218)	(313,277)	-	(2,659,495)
Improvements other than buildings	(4,143,158)	(540,515)	-	(4,683,673)
Machinery and equipment	(6,460,470)	(865,568)	-	(7,326,038)
Infrastructure	<u>(69,466,598)</u>	<u>(4,199,657)</u>	<u>-</u>	<u>(73,666,255)</u>
Total accumulated depreciation	<u>(82,416,444)</u>	<u>(5,919,017)</u>	<u>-</u>	<u>(88,335,461)</u>
Governmental activities capital assets, net	<u>\$ 144,399,156</u>	<u>\$ 2,206,931</u>	<u>\$ (2,807,890)</u>	<u>\$ 143,798,197</u>

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 610,716	\$ -	\$ -	\$ 610,716
<u>Capital assets being depreciated:</u>				
Utility plant in service	66,983,973	4,363,374	-	71,347,347
Buildings, structures and improvements	3,748,476	-	-	3,748,476
Improvements other than buildings	649,968	133,188	-	783,156
Machinery, equipment and vehicles	1,975,532	280,026	-	2,255,558
Construction in progress	1,264,501	3,305,993	(4,281,279)	289,215
Total capital assets being depreciated:	<u>74,622,450</u>	<u>8,082,581</u>	<u>(4,281,279)</u>	<u>78,423,752</u>
<u>Less accumulated depreciation for:</u>				
Utility plant in service	(19,460,926)	(1,754,783)	-	(21,215,709)
Buildings, structures and improvements	(1,592,520)	(97,730)	-	(1,690,250)
Improvements other than buildings	(245,634)	(48,583)	-	(294,217)
Machinery, equipment and vehicles	<u>(1,702,377)</u>	<u>(163,696)</u>	<u>-</u>	<u>(1,866,073)</u>
Total accumulated depreciation	<u>(23,001,457)</u>	<u>(2,064,792)</u>	<u>-</u>	<u>(25,066,249)</u>
Business-type activities capital assets, net	<u>\$ 52,231,709</u>	<u>\$ 6,017,789</u>	<u>\$ (4,281,279)</u>	<u>\$ 53,968,219</u>

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to function/programs for the year ended June 30, 2006, as follows:

Capital activities:

government

\$ 246,584
553,508
4,255,432
687,956
169,402
6,135

Capital - governmental activities

\$ 5,919,017

\$ 147,975
1,841,852
74,965

Capital activities

\$ 2,064,792

Transactions between funds that are outstanding as of

Interfund
Receivable

Interfund
Payable

190 \$ 17,019
734 -
075 18,035
803 31,069

520,190
26,430
0,615

3,385

1,368

3,001

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers for the year ended June 30, 2006 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

Transfer Out:	Transfer In:				Totals
	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental	Emergency Communications	
General Fund	\$ 3,067,668	\$ 2,790,000	\$ 695,000	\$ 263,400	\$ 6,816,068
Nonmajor Governmental Funds	-	715,000	-	-	715,000
Total Transfers	<u>\$ 3,067,668</u>	<u>\$ 3,505,000</u>	<u>\$ 695,000</u>	<u>\$ 263,400</u>	<u>\$ 7,531,068</u>

Interfund revenues and expenses for the year ended June 30, 2006, included the payment of rental fees for fire hydrant usage totaling \$100,000 by the general fund to the water and sewer enterprise fund. Such amount is included in public safety expenditures reported by the general fund and other operating revenues reported by the water and sewer enterprise fund for the year. The general fund also paid the municipal center enterprise fund rents totaling \$335,000 for the year ended June 30, 2006 for its use of the Municipal Center Building. Such amounts are included in the general government expenditures reported by the general fund and operating revenues reported by the municipal center enterprise fund for the year. In addition, the water and sewer enterprise fund paid the general fund \$100,000 for its space at the City's Service Center for the year ended June 30, 2006. Such amount is included in uses of money and property reported by the general fund and in other operating expenses reported by the water and sewer enterprise fund for the year. The general fund and water and sewer fund contributed \$617,000 and \$60,000, respectively, to the Post Employment Benefits Fund for the year ended June 30, 2006. These amounts are included in expenditures for the respective funds.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - LONG-TERM LIABILITIES

Changes in Long-Term Liabilities:

During the year ended June 30, 2006, the changes in long-term liabilities were as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due within</u> <u>one year</u>
Government Activities:					
General obligation bonds	\$ 24,430,000	\$ 7,230,000	\$ 4,465,000	\$ 27,195,000	\$ 1,965,000
Less: Unamortized deferred charge on advance refunding	<u>(588,436)</u>	<u>(131,919)</u>	<u>(47,209)</u>	<u>(673,146)</u>	<u>-</u>
Total bonds	23,841,564	7,098,081	4,417,791	26,521,854	1,965,000
Compensated absences	<u>2,350,887</u>	<u>1,256,156</u>	<u>1,009,654</u>	<u>2,597,389</u>	<u>1,000,000</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 26,192,451</u>	<u>\$ 8,354,237</u>	<u>\$ 5,427,445</u>	<u>\$ 29,119,243</u>	<u>\$ 2,965,000</u>
Business-type Activities:					
Revenue and tax bonds	\$ 9,385,000	\$ 1,775,000	\$ 3,095,000	\$ 8,065,000	\$ 895,000
State of Tennessee loan program	<u>1,186,957</u>	<u>-</u>	<u>239,853</u>	<u>947,104</u>	<u>247,645</u>
	10,571,957	1,775,000	3,334,853	9,012,104	1,142,645
Less: Unamortized deferred charge on advance refunding	<u>(260,454)</u>	<u>(52,833)</u>	<u>(48,793)</u>	<u>(264,494)</u>	<u>-</u>
Total Business-type Activities					
Long-term Liabilities	<u>\$ 10,311,503</u>	<u>\$ 1,722,167</u>	<u>\$ 3,286,060</u>	<u>\$ 8,747,610</u>	<u>\$ 1,142,645</u>

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Description of long-term liabilities:

Amounts payable at June 30, 2006, were as follows:

Governmental Activities:

\$4,945,000 1998 General Obligation Public Improvement Bonds due in increasing annual installments through March 1, 2007, at varying rates of interest from 4.25% to 4.85%.	\$ 220,000
\$1,955,000 1999 General Obligation Refunding Bonds due in increasing annual installments through September 1, 2013, at varying rates of interest from 3.75% to 4.40%	1,490,000
\$5,000,000 2000 General Obligation Public Improvement Bonds due in increasing annual installments through March 1, 2020, at varying rates of interest from 4.375% to 5.75%	655,000
\$3,030,000 2001 General Obligation Public Improvement Refunding Bonds due in increasing annual installments through May 1, 2009, at varying rates of interest from 4.00% to 4.25%	1,240,000
\$5,525,000 2002 General Obligation Refunding Bonds due in increasing annual installments through September 1, 2019, at varying rates of interest from 2.95% to 4.80%	5,445,000

(Continued on next page)

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Description of long-term liabilities (Continued)

\$4,425,000 2002 General Obligation Public Improvement Bonds due in increasing annual installments through March 1, 2022, at varying rates of interest from 2.30% to 4.85%	\$ 1,630,000
\$6,300,000 2003 General Obligation Refunding Bonds due in increasing annual installments through September 1, 2017, at varying rates of interest from 2.00% to 4.10%	5,740,000
\$3,685,000 2004 General Obligation Public Improvement Bonds due in increasing annual installments through September 1, 2024, at varying rates of interest from 2.30% to 4.45%	3,545,000
\$2,430,000 2006 General Obligation Refunding Bonds due in increasing annual installments through September 1, 2021, at varying rates of interest from 3.75% to 3.90%	2,430,000
\$4,800,000 2006 General Obligation Public Improvement Bonds due in increasing annual installments through September 1, 2025, at varying rates of interest from 3.75% to 4.05%	<u>4,800,000</u>
Total General Obligation Debt	27,195,000
Unamortized charge on advance refunding	<u>(673,146)</u>
Total General Obligation Bonds, net of unamortized charge	<u>\$ 26,521,854</u>

(Continued on next page)

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Description of long-term liabilities (Continued)

Business-type activities debt:

Revenue and Tax Bonds:

\$3,055,000 1998 Sewer Revenue and Tax Bonds due in increasing annual installments through March 1, 2018, at varying rates of interest from 4.25% to 4.85%	\$ 140,000
\$1,200,000 1999 Sewer Revenue and Tax Refunding Bonds due in increasing annual installments through September 1, 2013, at varying rates of interest from 3.75% to 4.4%	965,000
\$1,955,000 2001 Sewer Revenue and Tax Refunding Bonds due in increasing annual installments through May 1, 2009, at varying rates of interest from 4.00% to 4.25%	1,020,000
\$3,000,000 2001 Water Revenue and Tax Bonds due in increasing annual installments through March 1, 2021, at varying rates of interest from 4.00% to 4.75%	820,000
\$3,620,000 2003 Sewer Revenue and Tax Refunding Bonds due in increasing annual installments through September 1, 2017, at varying rates of interest from 2.00% to 4.10%	3,345,000
\$1,775,000 2006 Water Revenue and Tax Refunding Bonds due in increasing annual installments through September 1, 2020, at varying rates of interest from 2.75% to 3.85%	<u>1,775,000</u>
Total Revenue and Tax Bonds	<u>8,065,000</u>

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Description of long-term liabilities (Continued)

Tennessee Loan Program:

\$2,990,906 State Loan Program Revenue Bonds, payable in monthly installments through February 1, 2011, at an interest rate of approximately 3.3%.	\$ 947,104
Total Business-type Activities Debt	9,012,104
Unamortized charge on advance refunding	<u>(264,494)</u>
Total Business-type Activities Debt, net of unamortized charge	<u>\$ 8,747,610</u>

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds and notes payable are direct obligations of the City for which the full faith and credit are pledged. These obligations are payable from the assessment of ad valorem taxes.

All bonds of the Water and Sewer fund are collateralized by the revenues of the department.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2006, are as follows:

Governmental Activities							
Bonds							
Year	Principal		Interest				
2007	\$	1,965,000	\$	946,781			
2008		2,045,000		874,050			
2009		2,125,000		800,738			
2010		1,725,000		717,279			
2011-2015		9,120,000		3,024,454			
2016-2020		7,075,000		1,315,711			
2021-2025		3,140,000		306,396			
Totals	\$	27,195,000	\$	7,985,409			

Business-type Activities							
Year	Bonds		State Loan Program		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 895,000	\$ 305,215	\$ 247,645	\$ 30,770	\$ 1,142,645	\$ 335,985	
2008	940,000	260,454	255,691	22,725	1,195,691	283,179	
2009	980,000	226,104	263,998	14,417	1,243,998	240,521	
2010	640,000	189,385	179,770	5,841	819,770	195,226	
2011-2015	2,725,000	600,587	-	-	2,725,000	600,587	
2016-2020	1,655,000	182,775	-	-	1,655,000	182,775	
2021	230,000	4,428	-	-	230,000	4,428	
Totals	\$ 8,065,000	\$ 1,768,948	\$ 947,104	\$ 73,753	\$ 9,012,104	\$ 1,842,701	

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 6 - UNEARNED REVENUES

Unearned revenues consist of the following at June 30, 2006:

Property taxes:

Delinquent taxes	\$ 221,484
2006 estimated levy	8,885,916
Estimated 2006 Hall Income tax	450,000
Other	<u>302,424</u>
	<u>\$ 9,859,824</u>

NOTE 7 - RISK MANAGEMENT

The City 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 City 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 City pays a premium, receives coverage, and can make claims against that coverage. The City 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 City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 - CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the City's financial position. Accordingly, no provision for any liability resulting from such litigation has been made in the accompanying financial statements.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 9 - DEFERRED COMPENSATION PLAN

The City of Brentwood offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits 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 City's match for the year ended June 30, 2006 totaled \$228,038.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

The City provides postretirement health care benefits, in accordance with City policies established by resolutions, to all employees who retire from the City on or after attaining age 55 with at least 20 years of service. Retiree health care benefits are provided at two levels. Eligible retirees who are between the ages of 55 and 65 continue coverage under the City's group health insurance plan. The City pays the full cost of group health insurance for these retirees as well as 50 percent of the premiums for dependent health insurance coverage, if applicable. Currently, one retiree is covered under this level of benefits. The second level of benefits applies when a retiree reaches Medicare age and eligibility under the group health insurance plan ceases. At this level, the city reimburses the retiree for the cost of a Medicare supplement policy for the retiree only. Effective July 1, 2002, the amount of this Medicare supplement reimbursement for all future eligible retirees was limited to 50% of the amount paid by the City for the lowest cost, individual coverage under the City's group insurance plan. Currently, five retirees are covered under this level of benefits. Expenditures for postretirement health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$14,748 were recognized for postretirement health care for participants.

The City also provides postretirement life insurance benefits, in accordance with City policies established by resolution. Eligibility criteria was recently amended to limit this benefit only to employees who retire from the City on or after attaining age 55 with at least 20 years of service. Expenditures for postretirement life insurance benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$713 were recognized for postretirement life insurance for participants.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 11 - EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description

Employees of the City 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, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at www.treasury.state.tn.us/tcrs/PS.

Funding Policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the year ending June 30, 2006 was 12.88% of annual covered payroll. 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.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 11 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (CONTINUED)

Annual Pension Cost

For the year ended June 30, 2006, the City's annual pension cost of \$1,506,686 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen initial liability 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-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, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$1,506,686	100.00%	\$0.00
6/30/05	\$1,313,910	100.00%	\$0.00
6/30/04	\$1,023,715	100.00%	\$0.00

NOTE 12 - COMMITMENTS

In December 1997, the Board of Commissioners authorized an amendment to the 1979 Trunk and Sewer Treatment Agreement between the City and the Metropolitan Government of Nashville and Davidson County ("Metro") for the purchase of additional sewer capacity in the Owl Creek and Holt Creek Drainage Basins. In connection with this agreement, the City paid Metro \$4,454,707 in February 1998 and paid the remaining balance of \$1,347,288 in 2006.

Construction commitments amounting to approximately \$1,600,000 were outstanding as of June 30, 2006.

CITY OF BRENTWOOD, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 13 - ECONOMIC DEPENDENCY

The City, through its water and sewer enterprise fund, purchases water from the Metropolitan Government of Nashville and Davidson County and Harpeth Valley Utility District. All of its sewage is treated by the Metropolitan Government of Nashville and Davidson County.

NOTE 14 - NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB"), in April 2004, which addresses requirements for reporting OPEB plan assets by trust or agency funds in their financial reports. GASB Statement No. 43 will supersede GASB Statement No. 26, and is effective for fiscal periods beginning after December 15, 2005 for governments with total annual revenues of \$100 million or more; for fiscal periods beginning after December 15, 2006 for governments with total annual revenues of \$10 million or more, but less than \$100 million; and for fiscal periods beginning after December 15, 2007 for governments with total annual revenues of less than \$10 million. The City will be required to implement this statement during fiscal year 2008.

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in June 2004, which establishes standards for reporting of OPEB plans in the financial statement of state and local government employers. The statement addresses requirements for the measurement, recognition and display of OPEB expense/expenditures, related liabilities or assets, note disclosures, and if applicable, required supplementary information. GASB Statement No. 45 is effective prospectively for fiscal periods beginning after December 15, 2006 for governments with annual revenues of \$100 million or more; for fiscal periods beginning after December 15, 2007 for governments with total annual revenues of \$10 million or more, but less than \$100 million; and for fiscal periods beginning after December 15, 2008 for governments with total annual revenues of less than \$10 million. The City will be required to implement this statement during fiscal year 2009.

The GASB has also issued Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2005 (except for those provisions involving other postemployment benefits, which only take effect upon implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*).

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Taxes:				
Local sales tax	\$ 8,480,000	\$ 10,030,500	\$ 10,098,176	\$ 67,676
Real and personal property	8,107,000	8,407,000	8,451,347	44,347
Public utility property tax	435,000	435,000	478,644	43,644
Business	967,800	967,800	1,135,435	167,635
Hotel/Motel taxes	725,000	725,000	955,407	230,407
Other	966,500	1,141,500	1,225,039	83,539
Licenses and permits	980,000	1,120,000	1,284,070	164,070
Fines and fees	263,600	379,600	392,005	12,405
Charges for services	245,700	245,700	234,322	(11,378)
Intergovernmental:				
State sales tax	1,933,000	2,013,000	2,060,448	47,448
State income tax	900,000	900,000	1,473,919	573,919
Mitigation tax	-	-	-	-
Other	785,345	998,756	813,635	(185,121)
Uses of money and property				
Interest earnings	225,500	375,500	515,610	140,110
Other	94,200	94,200	145,299	51,099
Other	16,000	16,000	29,105	13,105
TOTAL REVENUES	25,124,645	27,849,556	29,292,461	1,442,905
EXPENDITURES				
Current:				
General government:				
City Commission:				
Personnel Services	80,905	80,905	75,191	(5,714)
Other costs	39,700	39,700	29,583	(10,117)
Capital outlay	-	-	-	-
City Court:				
Personnel Services	26,300	26,300	26,092	(208)
Other costs	600	600	-	(600)
City Manager's office:				
Personnel Services	244,445	244,445	233,150	(11,295)
Other costs	3,000	3,000	2,730	(270)
Capital outlay	-	-	-	-

(Continued on next page)

See accompanying note on page 59.

CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED) -
BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Elections:				
Board of commission	\$ -	\$ -	\$ -	\$ -
Finance:				
Personnel Services	489,770	474,870	467,682	(7,188)
Other costs	92,885	107,785	107,763	(22)
Capital outlay	2,000	2,000	-	(2,000)
Legal services:				
Personnel Services	155,795	155,795	150,670	(5,125)
Other costs	74,600	74,600	67,659	(6,941)
Capital outlay	-	-	-	-
Information/technology:				
Personnel Services	310,180	310,180	303,016	(7,164)
Other costs	62,750	62,750	53,050	(9,700)
Capital outlay	24,000	24,000	8,721	(15,279)
Human resources:				
Personnel Services	240,910	240,910	221,509	(19,401)
Other costs	54,515	54,515	46,922	(7,593)
Capital outlay	-	-	-	-
Community relations:				
Personnel Services	100,005	100,005	97,675	(2,330)
Other costs	121,000	121,000	88,204	(32,796)
Capital outlay	-	-	-	-
Planning and development:				
Personnel Services	409,805	421,045	421,035	(10)
Other costs	85,355	77,820	77,378	(442)
Capital outlay	3,250	2,170	2,149	(21)
Codes enforcement:				
Personnel Services	563,185	563,185	561,526	(1,659)
Other costs	59,715	57,540	57,525	(15)
Capital outlay	24,550	24,100	22,945	(1,155)

(Continued on next page)

See accompanying note on page 59.

CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED) -
BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Municipal Center:				
Rent expense	\$ 335,000	\$ 335,000	\$ 335,000	\$ -
Insurance/other benefits:				
Personnel	951,015	930,515	873,993	(56,522)
Other	40,950	126,450	126,124	(326)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general government	<u>4,596,185</u>	<u>4,661,185</u>	<u>4,457,292</u>	<u>(203,893)</u>
Public safety:				
Police department:				
Personnel Services	4,179,910	4,120,783	4,064,440	(56,343)
Other costs	487,470	551,470	551,055	(415)
Capital outlay	58,000	58,000	17,337	(40,663)
Fire department:				
Personnel Services	4,176,420	4,229,451	4,216,817	(12,634)
Other costs	350,015	428,279	427,942	(337)
Capital outlay	39,900	71,583	69,556	(2,027)
Brentwood Safety Center East:				
Other costs	<u>56,410</u>	<u>58,470</u>	<u>58,450</u>	<u>(20)</u>
Total public safety	<u>9,348,125</u>	<u>9,518,036</u>	<u>9,405,597</u>	<u>(112,439)</u>
Roads and streets:				
Public works:				
Personnel	963,705	963,875	963,855	(20)
Other	609,365	610,835	610,803	(32)
Capital outlay	105,500	89,360	88,573	(787)
Storm drainage:				
Other costs	6,500	500	-	(500)
Capital outlay	50,000	60,000	59,772	(228)

(Continued on next page)

See accompanying note on page 59.

CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED) -
BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Street lighting/traffic signals:				
Utilities	\$ 350,000	\$ 360,500	\$ 360,300	\$ (200)
Personnel	83,590	83,590	67,433	(16,157)
Other	84,000	84,000	78,444	(5,556)
Service center:				
Personnel Services	88,960	88,960	88,587	(373)
Other costs	152,050	152,050	149,516	(2,534)
Capital outlay	-	-	-	-
Engineering services:				
Personnel Services	310,705	310,705	286,374	(24,331)
Other costs	53,500	53,500	39,589	(13,911)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total roads and streets	<u>2,857,875</u>	<u>2,857,875</u>	<u>2,793,246</u>	<u>(64,629)</u>
Public health:				
Co. Health Dept. Contract	15,000	15,000	7,500	(7,500)
Co. Animal Control Contract	<u>58,000</u>	<u>58,000</u>	<u>56,253</u>	<u>(1,747)</u>
Total public health	<u>73,000</u>	<u>73,000</u>	<u>63,753</u>	<u>(9,247)</u>
Parks and recreation:				
Personnel Services	657,285	657,285	640,543	(16,742)
Other costs	690,425	690,425	619,032	(71,393)
Capital outlay	<u>31,000</u>	<u>31,000</u>	<u>24,890</u>	<u>(6,110)</u>
Total parks and recreation	<u>1,378,710</u>	<u>1,378,710</u>	<u>1,284,465</u>	<u>(94,245)</u>

(Continued on next page)

See accompanying note on page 59.

CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED) -
BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Public library:				
Personnel Services	\$ 983,000	\$ 980,900	\$ 955,395	\$ (25,505)
Other costs	690,600	690,600	684,618	(5,982)
Capital outlay	3,000	5,100	5,058	(42)
Total public library	<u>1,676,600</u>	<u>1,676,600</u>	<u>1,645,071</u>	<u>(31,529)</u>
Community support:				
Education	210,000	210,000	210,000	-
Economic development	10,000	10,000	10,000	-
International exchange	5,000	5,000	3,052	(1,948)
Crockett Historic Center	16,600	16,600	16,471	(129)
Tree committee	2,000	2,000	1,720	(280)
Total community support	<u>243,600</u>	<u>243,600</u>	<u>241,243</u>	<u>(2,357)</u>
TOTAL EXPENDITURES	<u>20,174,095</u>	<u>20,409,006</u>	<u>19,890,667</u>	<u>(518,339)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,950,550</u>	<u>7,440,550</u>	<u>9,401,794</u>	<u>1,961,244</u>
OTHER FINANCING USES				
Transfers to Debt Service Fund	(3,065,000)	(3,065,000)	(3,067,668)	(2,668)
Transfers to Emergency Communication Fund	(263,400)	(263,400)	(263,400)	-
Transfers to Capital Projects Fund	(300,000)	(2,790,000)	(2,790,000)	-
Transfers to Equipment Replacement Fund	(695,000)	(695,000)	(695,000)	-
Contribution to Post Employment Benefits Fund	(617,000)	(617,000)	(617,000)	-
TOTAL OTHER FINANCING USES	<u>(4,940,400)</u>	<u>(7,430,400)</u>	<u>(7,433,068)</u>	<u>(2,668)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 10,150</u>	<u>\$ 10,150</u>	1,968,726	<u>\$ 1,958,576</u>
FUND BALANCE, BEGINNING OF YEAR			<u>16,508,469</u>	
FUND BALANCE, END OF YEAR			<u>\$ 18,477,195</u>	

See accompanying note on page 59.

CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

POLITICAL SUBDIVISION PENSION PLAN
SUPPLEMENTARY INFORMATION (Unaudited)

JUNE 30, 2006

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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, 2005	\$ 14,811	\$ 17,393	\$ 2,582	85.15%	\$ 10,298	25.07%
July 1, 2003	\$ 11,417	\$ 14,327	\$ 2,910	79.69%	\$ 9,159	31.77%
July 1, 2001	\$ 8,980	\$ 11,810	\$ 2,830	76.04%	\$ 7,472	37.87%

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2003 which established contribution rates effective July 1, 2005. As a result of the June 30, 2000 experience study, changes were made to two of the significant actuarial assumptions as follows: 1) projected salary increase of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries) and 2) projected 3.5 percent annual increases in the Social Security wage base.

CITY OF BRENTWOOD, TENNESSEE

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to May 15 of each year, the City Manager formally submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Commissioners to obtain citizen comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance. Annual appropriated budgets for the general fund, special revenue and debt service funds are adopted on a basis 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 budgets which reflect amendments by the Board of Commissioners.

Total expenditures for each of these funds may not exceed the total amount appropriated in the budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within an individual fund; any revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the Board of Commissioners. All annual appropriations lapse at year end.

Excess Expenditures

There were no expenditures exceeding the budgeted level of appropriations. Additionally, total expenditures of the general fund did not exceed appropriated expenditures.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

State Street Aid Fund – This fund accounts for all revenue and expenditures from the City's share of state gasoline taxes. Tennessee state law requires these receipts be kept in a separate fund and used for the construction and maintenance of city streets and certain related street expenditures.

Drug Fund – This fund accounts for funds received directly from the enforcement of laws associated with illegal drug activity. Under state law, the funds are to be used only for the enforcement of the drug laws and for the drug education programs of the Police Department.

Public Works Project Fund – This fund accounts for the collection and disbursement of funds for road improvements needed to meet the traffic demands created by growth in population and business. The funds are disbursed as available to pay for eligible road projects in the Capital Projects Fund.

Equipment Replacement Fund – This fund accounts for the systematic accumulation of funds needed to purchase large vehicles and equipment (generally greater than \$40,000) without the issuance of capital outlay notes or general obligation bonds. Funding is provided through annual transfers from the General Fund.

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CITY OF BRENTWOOD, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

ASSETS AND OTHER DEBITS	SPECIAL REVENUE				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STATE STREET AID	DRUG	PUBLIC WORKS PROJECT	EQUIPMENT REPLACEMENT	
ASSETS:					
Cash and cash equivalents	\$ 412,684	\$ 166,247	\$ 1,593,488	\$ 1,172,785	\$ 3,345,204
Receivables:					
Taxes	148,887	-	-	-	148,887
Due From General Fund	-	-	-	13,129	13,129
Due From Other Funds	-	-	-	20,674	20,674
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 561,571</u>	<u>\$ 166,247</u>	<u>\$ 1,593,488</u>	<u>\$ 1,206,588</u>	<u>\$ 3,527,894</u>
LIABILITIES:					
Accounts payable	\$ -	\$ 1,496	\$ -	\$ 63,921	\$ 65,417
Due to General Fund	-	2,000	-	-	2,000
Due to Other Funds	-	20,674	-	-	20,674
Due from Municipal Center Fund	-	-	-	8,395	8,395
Long-term debt	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>24,170</u>	<u>-</u>	<u>72,316</u>	<u>96,486</u>
COMMITMENTS AND CONTINGENCIES					
EQUITY AND OTHER CREDITS					
Fund balance:					
Reserved for capital projects	-	-	1,593,488	1,134,272	2,727,760
Reserved for street repairs	561,571	-	-	-	561,571
Reserved for drug enforcement and education	-	142,077	-	-	142,077
TOTAL EQUITY AND OTHER CREDITS	<u>561,571</u>	<u>142,077</u>	<u>1,593,488</u>	<u>1,134,272</u>	<u>3,431,408</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 561,571</u>	<u>\$ 166,247</u>	<u>\$ 1,593,488</u>	<u>\$ 1,206,588</u>	<u>\$ 3,527,894</u>

CITY OF BRENTWOOD, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>SPECIAL REVENUE</u>				<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>STATE STREET AID</u>	<u>DRUG</u>	<u>PUBLIC WORKS PROJECT</u>	<u>EQUIPMENT REPLACEMENT</u>	
REVENUES					
Licenses and permits	\$ -	\$ -	\$ 646,685	\$ -	\$ 646,685
Intergovernmental	861,872	-	-	-	861,872
Uses of money and property	14,552	3,744	53,005	57,733	129,034
Other	-	146,218	-	-	146,218
	<u>876,424</u>	<u>149,962</u>	<u>699,690</u>	<u>57,733</u>	<u>1,783,809</u>
TOTAL REVENUES					
EXPENDITURES					
Current:					
Roads and streets	883,579	-	-	-	883,579
Drug education	-	31,593	-	-	31,593
Capital outlay	-	70,941	-	576,993	647,934
	<u>883,579</u>	<u>102,534</u>	<u>-</u>	<u>576,993</u>	<u>1,563,106</u>
TOTAL EXPENDITURES					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,155)</u>	<u>47,428</u>	<u>699,690</u>	<u>(519,260)</u>	<u>220,703</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	695,000	695,000
Transfers out	-	-	(715,000)	-	(715,000)
	<u>-</u>	<u>-</u>	<u>(715,000)</u>	<u>695,000</u>	<u>(20,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)					
NET CHANGE IN FUND BALANCE	(7,155)	47,428	(15,310)	175,740	200,703
FUND BALANCE, BEGINNING OF YEAR	<u>568,726</u>	<u>94,649</u>	<u>1,608,798</u>	<u>958,532</u>	<u>3,230,705</u>
FUND BALANCE, END OF YEAR	<u>\$ 561,571</u>	<u>\$ 142,077</u>	<u>\$ 1,593,488</u>	<u>\$ 1,134,272</u>	<u>\$ 3,431,408</u>

CITY OF BRENTWOOD, TENNESSEE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL

SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	STATE STREET AID FUND			DRUG FUND			
	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES							
Licenses and permits:							
Public works project fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Edmondson Branch fees	-	-	-	-	-	-	-
Intergovernmental:							
State fuel taxes	840,000	861,872	21,872	-	-	-	-
Uses of money and property:							
Interest earnings	2,000	14,552	12,552	1,100	1,100	3,744	2,644
Other:							
Drug related fines and contributions	-	-	-	25,000	121,936	146,218	24,282
TOTAL REVENUES	842,000	876,424	34,424	26,100	123,036	149,962	26,926
EXPENDITURES							
Current:							
Roads and streets - street repairs	890,000	883,579	(6,421)	-	-	-	-
Drug education	-	-	-	20,000	40,000	31,593	(8,407)
Capital outlay	-	-	-	26,600	76,600	70,941	(5,659)
TOTAL EXPENDITURES	890,000	883,579	(6,421)	46,600	116,600	102,534	(14,066)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(48,000)	(7,155)	40,845	(20,500)	6,436	47,428	40,992
OTHER FINANCING SOURCES (USES)							
Transfers from General Fund	-	-	-	-	-	-	-
Transfers to Capital Projects Fund	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ (48,000)	(7,155)	\$ 40,845	\$ (20,500)	\$ 6,436	47,428	\$ 40,992
FUND BALANCE, BEGINNING OF YEAR		568,726				94,649	
FUND BALANCE, END OF YEAR		\$ 561,571				\$ 142,077	

(Continued on next page)

CITY OF BRENTWOOD, TENNESSEE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED) -
BUDGET (GAAP BASIS) AND ACTUAL

SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	PUBLIC WORKS PROJECT FUND			EQUIPMENT REPLACEMENT FUND			
	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES							
Licenses and permits:							
Public works project fees	\$ 300,000	\$ 546,339	\$ 246,339	\$ -	\$ -	\$ -	\$ -
Edmondson Branch fees	100,000	100,346	346	-	-	-	-
Intergovernmental:							
State fuel taxes	-	-	-	-	-	-	-
Uses of money and property:							
Interest earnings	15,000	53,005	38,005	16,000	16,000	57,733	41,733
Other:							
Drug related fines and contributions	-	-	-	-	-	-	-
TOTAL REVENUES	415,000	699,690	284,690	16,000	16,000	57,733	41,733
EXPENDITURES							
Current:							
Roads and streets - street repairs	-	-	-	-	-	-	-
Drug education	-	-	-	-	-	-	-
Capital outlay	-	-	-	665,800	665,800	576,993	(88,807)
TOTAL EXPENDITURES	-	-	-	665,800	665,800	576,993	(88,807)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	415,000	699,690	284,690	(649,800)	(649,800)	(519,260)	130,540
OTHER FINANCING SOURCES (USES)							
Transfers from General Fund			-	695,000	695,000	695,000	-
Transfers to Capital Projects Fund	(715,000)	(715,000)	-	-	-	-	-
Total Other Financing Sources (Uses)	(715,000)	(715,000)	-	695,000	695,000	695,000	-
NET CHANGE IN FUND BALANCE	\$ (300,000)	(15,310)	\$ 284,690	\$ 45,200	\$ 45,200	175,740	\$ 130,540
FUND BALANCE, BEGINNING OF YEAR		1,608,798				958,532	
FUND BALANCE, END OF YEAR		\$ 1,593,488				\$ 1,134,272	

(Continued on next page)

CITY OF BRENTWOOD, TENNESSEE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED) -
BUDGET (GAAP BASIS) AND ACTUAL

SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	TOTALS			VARIANCE WITH FINAL BUDGET OVER (UNDER)
	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL	
REVENUES				
Licenses and permits:				
Public works project fees	\$ 300,000	\$ 300,000	\$ 546,339	\$ 246,339
Edmondson Branch fees	100,000	100,000	100,346	346
Intergovernmental:				
State fuel taxes	840,000	840,000	861,872	21,872
Uses of money and property:				
Interest earnings	34,100	34,100	129,034	94,934
Other:				
Drug related fines and contributions	25,000	121,936	146,218	24,282
TOTAL REVENUES	1,299,100	1,396,036	1,783,809	387,773
EXPENDITURES				
Current:				
Roads and streets - street repairs	890,000	890,000	883,579	(6,421)
Drug education	20,000	40,000	31,593	(8,407)
Capital outlay	692,400	742,400	647,934	(94,466)
TOTAL EXPENDITURES	1,602,400	1,672,400	1,563,106	(109,294)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(303,300)	(276,364)	220,703	497,067
OTHER FINANCING SOURCES (USES)				
Operating transfers from General Fund	695,000	695,000	695,000	-
Operating transfers to Capital Projects Fund	(715,000)	(715,000)	(715,000)	-
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	\$ (323,300)	\$ (296,364)	200,703	\$ 497,067
FUND BALANCE, BEGINNING OF YEAR			3,230,705	
FUND BALANCE, END OF YEAR			\$ 3,431,408	

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CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Uses of money and property:				
Interest earnings	\$ 65,000	\$ 65,000	\$ 155,812	\$ 90,812
EXPENDITURES				
Debt service:				
Principal	2,182,830	2,182,830	2,182,830	-
Interest	988,320	988,320	967,277	(21,043)
Issuance costs	25,000	83,465	28,125	(55,340)
Other:				
Bank service charges	6,000	6,000	5,395	(605)
TOTAL EXPENDITURES	3,202,150	3,260,615	3,183,627	(76,988)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,137,150)	(3,195,615)	(3,027,815)	167,800
OTHER FINANCING SOURCES (USES)				
Transfers from Historic Commission	15,000	15,000	17,668	2,668
Transfers from General Fund	3,050,000	3,050,000	3,050,000	-
Proceeds of refunding bonds	-	2,485,340	2,430,000	(55,340)
Payment to refunded bond escrow agent	-	(2,485,070)	(2,398,471)	86,599
TOTAL OTHER FINANCING SOURCES (USES)	3,065,000	3,065,270	3,099,197	33,927
NET CHANGE IN FUND BALANCE	\$ (72,150)	\$ (130,345)	71,382	\$ 201,727
FUND BALANCE, BEGINNING OF YEAR			2,952,006	
FUND BALANCE, END OF YEAR			\$ 3,023,388	

See accompanying note to schedule on page 59.

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FINANCIAL SCHEDULE SECTION

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CITY OF BRENTWOOD, TENNESSEE

CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2006

<u>FUNCTION AND ACTIVITY</u>	<u>LAND</u>	<u>BUILDINGS AND STRUCTURES</u>	<u>IMPROVEMENTS OTHER THAN BUILDINGS</u>	<u>EQUIPMENT</u>	<u>INFRASTRUCTURE</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTALS</u>
General government:							
Finance/administration	\$ -	\$ -	\$ -	\$ 37,313	\$ -	\$ -	\$ 37,313
Planning and development	-	-	-	573,292	-	67,298	640,590
Other - unclassified	10,600	250,209	184,081	1,584,412	32,600	328,966	2,390,868
Total General Government	10,600	250,209	184,081	2,195,017	32,600	396,264	3,068,771
Public Safety:							
Police	-	7,500	-	2,694,997	-	-	2,702,497
Fire	501,573	3,966,277	14,389	3,441,276	-	-	7,923,515
Total Public Safety	501,573	3,973,777	14,389	6,136,273	-	-	10,626,012
Roads and Streets:							
Public works	63,161,897	-	-	1,433,706	124,863,047	423,921	189,882,571
Other	411,162	767,003	-	629,144	168,144	-	1,975,453
Total Roads and Streets	63,573,059	767,003	-	2,062,850	125,031,191	423,921	191,858,024
Parks and Recreation	2,533,618	2,968,996	10,225,961	605,401	1,439,785	807,752	18,581,513
Public Library	-	7,251,509	118,996	551,496	-	-	7,922,001
Drug Special Revenue Fund	-	-	-	77,337	-	-	77,337
Total governmental funds capital assets	\$ 66,618,850	\$ 15,211,494	\$ 10,543,427	\$ 11,628,374	\$ 126,503,576	\$ 1,627,937	\$ 232,133,658

CITY OF BRENTWOOD, TENNESSEE

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTION AND ACTIVITY</u>	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
General government:				
Finance and administration	\$ 37,313	\$ -	\$ -	\$ 37,313
Planning and development	553,986	86,604	-	640,590
Other - unclassified	2,111,291	279,577	-	2,390,868
Public safety:				
Police department	2,485,012	217,485	-	2,702,497
Fire department	7,860,109	63,406	-	7,923,515
Roads and streets	188,026,942	3,831,082	-	191,858,024
Parks and recreation	17,850,044	731,469	-	18,581,513
Public library	7,848,810	73,191	-	7,922,001
Drug special revenue fund	<u>42,093</u>	<u>35,244</u>	<u>-</u>	<u>77,337</u>
Total governmental funds capital assets	<u>\$ 226,815,600</u>	<u>\$ 5,318,058</u>	<u>\$ -</u>	<u>\$ 232,133,658</u>

CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS

JUNE 30, 2006

	<u>Amount</u>
<u>MAJOR GOVERNMENTAL FUNDS</u>	
<u>General Fund</u>	
SunTrust - demand deposits	\$ 10,476,071
Bank of America - demand deposit	144,745
Fifth Third Bank - demand deposit	76,296
Wachovia - demand deposit	401
Bancorp - demand deposit	32,953
SunTrust - Certificate of Deposit	5,000,000
Bancorpsouth - Certificate of Deposit	35,000
Cash on hand	1,200
Total General Fund	<u>15,766,666</u>
<u>Debt Service Fund</u>	
SunTrust - demand deposits	1,019,654
SunTrust - Certificate of Deposit	2,000,000
Total Debt Service Fund	<u>3,019,654</u>
<u>Capital Projects Fund</u>	
SunTrust - demand deposits	9,515,945
SunTrust - Certificate of Deposit	3,000,000
Local Government Investment Pool	116,994
Total Capital Projects Fund	<u>12,632,939</u>
<u>NONMAJOR GOVERNMENTAL FUNDS</u>	
<u>State Street Aid</u>	
SunTrust - demand deposits	412,684
<u>Drug Fund</u>	
SunTrust - demand deposits	166,247
<u>Public Works Project Fund</u>	
SunTrust - demand deposits	1,593,488
<u>Equipment Replacement Fund</u>	
SunTrust - demand deposits	1,172,785
Total Nonmajor Governmental Funds	<u>3,345,204</u>
<u>MAJOR PROPRIETARY FUNDS</u>	
<u>Water and Sewer Fund</u>	
SunTrust - demand deposits	4,815,031
<u>Municipal Center Fund</u>	
SunTrust - demand deposits	521,567
<u>Emergency Communications District</u>	
SunTrust - demand deposits	606,526
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 40,707,587</u>

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CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

<u>Fiscal Year</u>	<u>BALANCE JUNE 30, 2005</u>	<u>LEVY</u>	<u>COLLECTIONS</u>	<u>ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2006</u>
2006	\$ -	\$ 8,448,015	(8,153,723)	\$ -	294,292
2005	132,560	-	(103,753)	-	28,807
2004	21,875	-	(15,078)	-	6,797
2003	19,468	-	(10,107)	-	9,361
2002	15,499	-	(6,989)	-	8,510
2001	37,515	-	(9,725)	-	27,790
2000	18,103	-	(7,647)	-	10,456
1999	10,948	-	(896)	-	10,052
1998	9,195	-	(159)	-	9,036
1997	4,290	-	(101)	-	4,189
1996	<u>3,911</u>	<u>-</u>	<u>(464)</u>	<u>-</u>	<u>3,447</u>
Total	<u>\$ 273,364</u>	<u>\$ 8,448,015</u>	<u>\$ (8,308,642)</u>	<u>\$ -</u>	<u>\$ 412,737</u>

All uncollected delinquent taxes have been filed, as required, with Williamson County's Clerk and Master.

CITY OF BRENTWOOD, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2006

Year	1998 G.O. Improve Bonds		1999 G.O. Refunding Bonds		2000 G.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 220,000	\$ 9,350	\$ 190,000	\$ 58,938	\$ 210,000	\$ 31,778
2008	-	-	195,000	51,189	215,000	21,698
2009	-	-	205,000	42,986	230,000	11,270
2010	-	-	170,000	35,163	-	-
2011	-	-	170,000	27,979	-	-
2012	-	-	180,000	20,498	-	-
2013	-	-	185,000	12,604	-	-
2014	-	-	195,000	4,290	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
	<u>\$ 220,000</u>	<u>\$ 9,350</u>	<u>\$ 1,490,000</u>	<u>\$ 253,647</u>	<u>\$ 655,000</u>	<u>\$ 64,746</u>

Year	2002 G.O. Bonds		2003 G.O. Refunding Bonds		2004 G.O. Public Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 175,000	\$ 64,155	\$ 435,000	\$ 181,067	\$ 140,000	\$ 125,351
2008	185,000	58,293	685,000	168,155	145,000	122,074
2009	190,000	51,725	705,000	149,018	145,000	118,503
2010	200,000	44,600	735,000	127,418	150,000	114,538
2011	205,000	36,800	750,000	104,205	155,000	110,305
2012	215,000	28,600	475,000	83,705	155,000	105,810
2013	225,000	19,785	295,000	70,230	160,000	100,925
2014	235,000	10,223	305,000	59,501	165,000	95,642
2015	-	-	320,000	47,855	175,000	89,945
2016	-	-	330,000	35,340	180,000	83,820
2017	-	-	345,000	21,833	185,000	77,340
2018	-	-	360,000	7,380	190,000	70,495
2019	-	-	-	-	205,000	63,085
2020	-	-	-	-	210,000	54,990
2021	-	-	-	-	220,000	46,280
2022	-	-	-	-	230,000	36,940
2023	-	-	-	-	235,000	27,058
2024	-	-	-	-	245,000	16,676
2025	-	-	-	-	255,000	5,674
2026	-	-	-	-	-	-
	<u>\$ 1,630,000</u>	<u>\$ 314,181</u>	<u>\$ 5,740,000</u>	<u>\$ 1,055,707</u>	<u>\$ 3,545,000</u>	<u>\$ 1,465,451</u>

2001 G.O. Refunding Bonds		2002 G. O. Refunding Bonds	
Principal	Interest	Principal	Interest
\$ 395,000	\$ 51,713	\$ 25,000	\$ 243,375
410,000	35,912	25,000	242,425
435,000	18,488	25,000	241,475
-	-	270,000	235,600
-	-	280,000	224,390
-	-	610,000	205,618
-	-	635,000	178,844
-	-	660,000	150,348
-	-	690,000	119,965
-	-	725,000	87,593
-	-	350,000	62,780
-	-	365,000	46,065
-	-	385,000	28,344
-	-	400,000	9,600
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,240,000</u>	<u>\$ 106,113</u>	<u>\$ 5,445,000</u>	<u>\$ 2,076,422</u>

2006 G.O. Public Improvement Bonds		2006 G.O. Refunding Bonds		Totals Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 175,000	\$ 181,054	\$ -	\$ -	\$ 1,965,000	\$ 946,781
185,000	174,304	-	-	2,045,000	874,050
190,000	167,273	-	-	2,125,000	800,738
200,000	159,960	-	-	1,725,000	717,279
205,000	152,366	10,000	91,930	1,775,000	747,975
215,000	144,491	10,000	91,555	1,860,000	680,277
220,000	136,335	15,000	91,086	1,735,000	609,809
230,000	127,898	265,000	85,836	2,055,000	533,738
240,000	119,085	270,000	75,805	1,695,000	452,655
245,000	109,991	280,000	65,493	1,760,000	382,237
255,000	100,616	295,000	54,711	1,430,000	317,280
265,000	90,866	305,000	43,461	1,485,000	258,267
275,000	80,673	315,000	31,758	1,180,000	203,860
285,000	69,961	325,000	19,516	1,220,000	154,067
300,000	58,625	340,000	6,630	860,000	111,535
310,000	46,575	-	-	540,000	83,515
320,000	33,975	-	-	555,000	61,033
335,000	20,875	-	-	580,000	37,551
350,000	7,088	-	-	605,000	12,762
-	-	-	-	-	-
<u>\$ 4,800,000</u>	<u>\$ 1,982,011</u>	<u>\$ 2,430,000</u>	<u>\$ 657,781</u>	<u>\$ 27,195,000</u>	<u>\$ 7,985,409</u>

CITY OF BRENTWOOD, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - BUSINESS-TYPE ACTIVITIES DEBT
JUNE 30, 2006

Year	1998 Sewer Revenue and Tax Bonds		1999 Sewer Revenue and Tax Refunding Bonds		2001 Sewer Revenue and Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 140,000	\$ 5,950	\$ 100,000	\$ 38,785	\$ 325,000	\$ 42,538
2008	-	-	105,000	34,659	340,000	29,537
2009	-	-	115,000	30,146	355,000	15,088
2010	-	-	120,000	25,240	-	-
2011	-	-	125,000	20,064	-	-
2012	-	-	125,000	14,720	-	-
2013	-	-	135,000	9,096	-	-
2014	-	-	140,000	3,080	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
	<u>\$ 140,000</u>	<u>\$ 5,950</u>	<u>\$ 965,000</u>	<u>\$ 175,790</u>	<u>\$ 1,020,000</u>	<u>\$ 87,163</u>

Year	2006 Water Revenue and Tax Refunding Bonds		Totals Bonds		State Loan Program Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ -	\$ 77,124	\$ 895,000	\$ 305,215	\$ 247,645	\$ 30,770
2008	-	66,903	940,000	260,454	255,691	22,725
2009	-	66,903	980,000	226,104	263,998	14,417
2010	-	66,903	640,000	189,385	179,770	5,841
2011	-	66,903	665,000	166,421	-	-
2012	-	66,903	685,000	141,538	-	-
2013	170,000	63,715	490,000	116,013	-	-
2014	175,000	57,246	505,000	96,794	-	-
2015	185,000	50,496	380,000	79,821	-	-
2016	185,000	43,559	390,000	65,181	-	-
2017	195,000	36,434	405,000	49,859	-	-
2018	205,000	28,934	430,000	33,547	-	-
2019	210,000	21,153	210,000	21,153	-	-
2020	220,000	13,035	220,000	13,035	-	-
2021	230,000	4,428	230,000	4,428	-	-
	<u>\$ 1,775,000</u>	<u>\$ 730,639</u>	<u>\$ 8,065,000</u>	<u>\$ 1,768,948</u>	<u>\$ 947,104</u>	<u>\$ 73,753</u>

2001 Water Revenue and Tax Bonds		2003 Sewer Revenue and Tax Refunding Bonds	
Principal	Interest	Principal	Interest
\$ 120,000	\$ 33,315	\$ 210,000	\$ 107,503
130,000	28,515	365,000	100,840
135,000	23,315	375,000	90,652
140,000	17,915	380,000	79,327
145,000	12,245	395,000	67,209
150,000	6,300	410,000	53,615
-	-	185,000	43,202
-	-	190,000	36,468
-	-	195,000	29,325
-	-	205,000	21,622
-	-	210,000	13,425
-	-	225,000	4,613
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 820,000</u>	<u>\$ 121,605</u>	<u>\$ 3,345,000</u>	<u>\$ 647,801</u>

Total Debt Requirements	
Principal	Interest
\$ 1,142,645	\$ 335,985
1,195,691	283,179
1,243,998	240,521
819,770	195,226
665,000	166,421
685,000	141,538
490,000	116,013
505,000	96,794
380,000	79,821
390,000	65,181
405,000	49,859
430,000	33,547
210,000	21,153
220,000	13,035
230,000	4,428
<u>\$ 9,012,104</u>	<u>\$ 1,842,701</u>

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CITY OF BRENTWOOD, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

Grant Description	Federal CFDA#	Grant Number	Grant Period	Federal Grant Amount	State Grant Amount	Accrued (Deferred) 7/1/04	Other Adjustments	Federal Receipts	State Receipts	Expenditures	Accrued (Deferred) 6/30/05
FEDERAL AWARDS:											
FEDERAL EMERGENCY MANAGEMENT AGENCY											
Passed through the Tennessee Emergency Management Agency:											
Disaster Assistance	97.088	HSFEEM-05-P-5142	N/A	\$ 98,414	\$ -	\$ -	\$ -	\$ 93,840	\$ -	\$ 98,414	\$ 4,574
Fire Act Grant	97.044	EMW-2004-FP-2980	N/A	\$ 72,000	\$ -	-	-	39,907	-	38,206	(1,701)
TOTAL FEDERAL EMERGENCY MANAGEMENT								133,747	-	136,620	2,873
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ -	\$ -	\$ 133,747	\$ -	\$ 136,620	\$ 2,873
STATE AWARDS:											
State of Tennessee											
Department of State, Tennessee State Library and Archives Technology Grant	N/A	N/A	2/1/06 - 8/4/06	\$	\$ 6,500	\$ -	\$ -	\$ -	\$ 6,500	\$ 6,500	\$ -
GIS Mapping Maintenance Grant	N/A	N/A	7/1/05 - 6/30/06	\$	\$ 10,000	-	-	-	10,000	10,000	-
TOTAL EXPENDITURES OF STATE AWARDS						\$ -	\$ -	\$ -	\$ 16,500	\$ 16,500	\$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS						\$ -	\$ -	\$ 133,747	\$ 16,500	\$ 153,120	\$ 2,873

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal and State Awards includes the grant activity of the City of Brentwood, Tennessee and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. This schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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STATISTICAL SECTION

(Not Covered by Report of Independent Certified Public Accountants)

This part of the City of Brentwood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health

CONTENTS

	<u>Page</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	74 - 79
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	80 - 86
<u>Debt Capacity</u>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	87 - 90
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	91 - 92
<u>Operating Information</u>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	93 - 95

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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CITY OF BRENTWOOD, TENNESSEE

NET ASSETS BY COMPONENT (UNAUDITED)

LAST FIVE FISCAL YEARS

	FISCAL YEAR				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 111,507,818	\$ 114,258,066	\$ 115,634,124	\$ 119,610,848	\$ 119,009,889
Restricted	1,779,755	2,146,192	2,584,725	2,774,389	2,621,325
Unrestricted	26,245,771	26,543,145	28,721,929	25,135,008 ⁽¹⁾	29,586,562
Total governmental activities net assets	<u>\$ 139,533,344</u>	<u>\$ 142,947,403</u>	<u>\$ 146,940,778</u>	<u>\$ 147,520,245</u>	<u>\$ 151,217,776</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 35,705,366	\$ 38,641,105	\$ 39,366,472	\$ 41,920,206	\$ 45,220,609
Restricted	269,708	269,708	269,708	269,708	269,708
Unrestricted	4,767,441	4,153,065	5,530,180	5,793,961	6,094,460
Total business-type activities net assets	<u>40,742,515</u>	<u>43,063,878</u>	<u>45,166,360</u>	<u>47,983,875</u>	<u>51,584,777</u>
Primary government					
Invested in capital assets, net of related debt	\$ 147,213,184	\$ 152,899,171	\$ 155,000,596	\$ 161,531,054	\$ 164,230,498
Restricted	2,049,463	2,415,900	2,854,433	3,044,097	2,891,033
Unrestricted	31,013,212	30,696,210	34,252,109	30,928,969	35,681,022
Total primary government net assets	<u>\$ 180,275,859</u>	<u>\$ 186,011,281</u>	<u>\$ 192,107,138</u>	<u>\$ 195,504,120⁽¹⁾</u>	<u>\$ 202,802,553</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

⁽¹⁾ A prior period adjustment was posted to unrestricted governmental net assets in the 2005 CAFR in the amount of \$3,967,712 relating to property tax reporting under GASB statements 33, 34 and 36 as interpreted by the State of Tennessee Comptrollers office.

CITY OF BRENTWOOD, TENNESSEE

CHANGES IN NET ASSETS (UNAUDITED)

LAST FIVE FISCAL YEARS

	FISCAL YEAR			
	2002	2003	2004	2005
EXPENSES				
Governmental Activities:				
General government	\$ 3,316,423	\$ 3,698,287	\$ 4,000,165	\$ 4,507,895
Public safety	7,912,829	8,749,676	8,208,457	9,212,802
Roads and streets	6,255,259	7,126,358	7,605,857	7,051,097
Public health	50,407	51,481	61,668	71,764
Parks and recreation	1,435,002	2,097,688	1,636,532	1,805,863
Public library	1,437,096	1,624,828	1,612,919	1,705,640
Community support	192,150	273,959	259,765	239,793
Drug education	16,282	17,174	17,051	14,837
Other	3,626	5,160	15,012	19,553
Interest on long-term debt	1,115,403	1,123,385	1,010,769	1,108,444
Total governmental activities	21,734,477	24,767,996	24,428,195	25,737,688
Business-type activities:				
Water and Sewer	7,782,407	8,766,131	8,946,321	9,032,664
Rental facilities	414,450	445,070	447,752	422,084
911 operations	-	-	673,869	681,704
Total business-type activities	8,196,857	9,211,201	10,067,942	10,136,452
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 29,931,334	\$ 33,979,197	\$ 34,496,137	\$ 35,874,140
PROGRAM REVENUES				
Governmental Activities:				
Charges for services:				
General government	193,582	233,958	230,690	226,857
Roads and streets	27,000	33,669	46,124	43,697
Parks and recreation	22,551	12,515	22,764	27,275
Public library	81,087	85,458	95,863	93,996
Community support	20,231	19,081	21,973	24,877
Operating grants and contributions	663,100	747,889	762,606	1,046,504
Capital grants and contributions	-	4,233,595	4,050,713	3,339,186
Total governmental activities and program revenues	1,007,551	5,366,165	5,230,733	4,802,392
Business-type activities:				
Charges for services:				
Water and Sewer	10,280,933	10,494,678	10,905,650	11,673,752
Rental facilities	389,208	448,253	437,162	449,008
911 operations	-	279,944	431,622	451,578
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	10,670,141	11,222,875	11,774,434	12,574,338
TOTAL PRIMARY GOVERNMENT PROGRAM EXPENSES	\$ 11,677,692	\$ 16,589,040	\$ 17,005,167	\$ 17,376,730
				\$ 15,759,199

CITY OF BRENTWOOD, TENNESSEE

CHANGES IN NET ASSETS, LAST TWO FISCAL YEARS (CONTINUED)

JUNE 30, 2006

	FISCAL YEAR			
	2002	2003	2004	2005
	2006			
NET (EXPENSE)/REVENUE				
Governmental activities	\$ (20,726,926)	\$ (19,401,831)	\$ (19,197,462)	\$ (20,935,296)
Business-type activities	2,473,284	2,011,674	1,706,492	2,437,886
	<u>\$ (18,253,642)</u>	<u>\$ (17,390,157)</u>	<u>\$ (17,490,970)</u>	<u>\$ (18,497,410)</u>
TOTAL PRIMARY GOVERNMENT NET EXPENSE				<u>\$ (22,596,720)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property taxes	\$ 7,648,716	\$ 8,109,218	\$ 8,218,733	\$ 8,473,452
Local option taxes	7,644,789	7,765,996	7,882,242	8,691,778
Licenses and permits	1,432,356	1,595,673	1,990,455	1,709,803
Other taxes	1,065,976	1,094,616	1,834,238	2,894,347
Sate sales, income, and other taxes	3,780,028	3,573,964	3,081,239	3,425,382
Unrestricted earnings	786,729	499,447	436,363	731,403
Miscellaneous	98,843	429,150	64,603	106,310
Loss on disposal of capital assets	-	(2,174)	-	-
Contributions to Post Employment Benefit Fund	-	-	-	(300,000)
Transfers	-	(250,000)	(317,036)	(250,000)
	<u>22,457,437</u>	<u>22,815,890</u>	<u>23,190,837</u>	<u>25,482,475</u>
Total government activities				<u>29,384,555</u>
Business-type activities				
Unrestricted investment earnings	209,876	59,689	78,954	129,629
Contributions to Post Employment Benefit Fund	-	-	-	-
Transfers	-	250,000	317,036	250,000
	<u>209,876</u>	<u>309,689</u>	<u>395,990</u>	<u>379,629</u>
Total business-type activities				<u>510,598</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 22,667,313</u>	<u>\$ 23,125,579</u>	<u>\$ 23,586,827</u>	<u>\$ 25,862,104</u>
				<u>\$ 29,895,153</u>
CHANGE IN NET ASSETS				
Governmental activities	\$ 1,730,511	\$ 3,414,059	\$ 3,993,375	\$ 4,547,179
Business-type activities	2,683,160	2,321,363	2,102,482	2,817,515
	<u>\$ 4,413,671</u>	<u>\$ 5,735,422</u>	<u>\$ 6,095,857</u>	<u>\$ 7,364,694</u>
TOTAL PRIMARY GOVERNMENT				<u>\$ 7,298,433</u>

CITY OF BRENTWOOD, TENNESSEE

FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,440,599	6,994,471	9,340,062	11,452,090	14,187,576	17,038,588	14,080,418	14,682,705	16,508,469	18,477,195
Total general fund	<u>\$ 5,440,599</u>	<u>\$ 6,994,471</u>	<u>\$ 9,340,062</u>	<u>\$ 11,452,090</u>	<u>\$ 14,187,576</u>	<u>\$ 17,038,588</u>	<u>\$ 14,080,418</u>	<u>\$ 14,682,705</u>	<u>\$ 16,508,469</u>	<u>\$ 18,477,195</u>
All Other Governmental Funds										
Unreserved	\$ 6,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved										
Reserved for debt services	1,702,171	2,345,863	2,331,572	2,499,952	2,777,528	2,896,376	2,927,189	2,954,569	2,952,006	3,023,388
Reserved for capital projects	6,341,742	4,615,036	4,346,909	10,490,459	3,747,077	5,854,488	9,277,744	12,459,881	9,539,741	14,618,603
Reserved for street repairs	201,099	181,943	192,658	332,709	391,458	411,206	426,405	436,285	568,726	561,571
Reserved for drug enforcement and education	65	4,182	12,892	19,633	50,715	63,541	80,621	110,618	94,649	142,077
Total all other governmental funds	<u>\$ 8,251,460</u>	<u>\$ 7,147,024</u>	<u>\$ 6,884,031</u>	<u>\$ 13,342,753</u>	<u>\$ 6,966,778</u>	<u>\$ 9,225,611</u>	<u>\$ 12,711,959</u>	<u>\$ 15,961,353</u>	<u>\$ 13,155,122</u>	<u>\$ 18,345,639</u>

CITY OF BRENTWOOD, TENNESSEE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Taxes	\$ 10,874,837	\$ 12,340,738	\$ 13,967,041	\$ 15,556,655	\$ 16,467,521	\$ 16,012,683	\$ 16,888,286	\$ 17,740,061	\$ 20,059,577	\$ 22,344,048
Licenses and permits	1,365,306	736,959	1,063,628	530,945	745,512	1,432,356	1,595,673	1,990,455	1,709,803	1,930,755
Fines and fees	132,049	153,217	184,145	191,895	209,596	193,582	233,958	230,690	226,857	392,005
Charges for services	78,472	85,162	99,399	139,830	126,134	150,869	150,722	186,724	189,845	234,322
Intergovernmental	3,413,414	3,487,707	3,984,371	4,020,980	4,430,779	4,443,128	4,321,853	3,843,845	4,471,886	5,209,874
Uses of money and property	943,795	862,686	1,877,101	1,528,044	1,609,349	786,729	499,447	436,363	731,403	1,287,069
Other revenues	27,165	22,470	31,794	65,377	63,393	98,843	429,151	64,603	106,310	532,213
TOTAL REVENUES	16,835,038	17,688,939	21,207,479	22,033,726	23,652,284	23,118,190	24,119,090	24,492,741	27,495,681	31,930,286
EXPENDITURES										
General government	1,914,991	2,211,900	2,471,079	2,518,629	2,852,441	3,166,656	3,533,496	3,917,644	4,220,253	4,457,292
Public safety	4,127,852	4,811,560	5,187,357	5,753,262	6,106,661	7,727,574	8,216,680	8,050,701	8,713,433	9,405,597
Roads and streets	1,792,769	1,842,410	1,960,215	2,016,888	2,328,418	2,523,168	3,157,457	3,188,370	3,180,765	3,676,825
Public health	50,762	81,763	58,722	59,820	47,955	50,407	51,481	61,668	71,764	63,753
Parks and recreation	611,594	727,524	807,826	858,316	860,067	938,071	1,033,789	1,083,375	1,125,016	1,284,465
Public library	580,814	683,002	954,538	1,026,194	1,119,074	1,241,578	1,429,472	1,464,382	1,518,773	1,645,071
Community support	170,195	163,584	147,117	180,940	160,703	174,410	254,373	238,031	239,793	241,243
Drug education	10,219	4,100	4,995	22,130	13,195	15,931	12,965	12,842	10,628	31,593
Other	23,444	25,352	21,780	32,178	34,443	3,626	5,160	4,920	-	5,395
Capital outlay	7,934,400	9,641,726	5,179,821	3,767,882	11,525,319	6,103,653	2,909,224	3,024,562	5,800,950	4,692,511
Contribution to Post Employment Benefits Fund	-	-	-	-	-	-	-	-	300,000	617,000
Debt service										
Interest	927,406	806,596	999,829	923,707	1,132,089	1,047,671	1,142,662	992,536	1,073,377	967,277
Principal	1,097,419	979,632	1,300,400	1,236,235	1,312,134	1,516,235	1,594,153	1,885,285	1,971,459	2,182,830
Total expenditures	19,241,865	21,979,149	19,093,679	18,396,181	27,492,499	24,508,980	23,340,912	23,924,316	28,226,211	29,270,852
Excess of revenues over (under) expenditures	(2,406,827)	(4,290,210)	2,113,800	3,637,545	(3,840,215)	(1,390,790)	778,178	568,425	(730,530)	2,659,434

(continued on following page)

CITY OF BRENTWOOD, TENNESSEE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED) (UNAUDITED)

LAST TEN FISCAL YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 7,364,389	\$ 4,450,000	\$ 4,315,000	\$ 5,345,000	\$ 4,500,000	\$ 5,455,000	\$ 5,550,000	\$ 7,891,000	\$ 5,722,750	\$ 7,267,668
Transfers out	(7,364,389)	(4,450,000)	(4,315,000)	(5,345,000)	(4,500,000)	(5,455,000)	(5,800,000)	(8,241,500)	(5,972,750)	(7,531,068)
Proceeds of general obligation bonds	-	4,878,930	-	5,000,000	-	4,425,000	-	3,685,000	-	4,800,000
Proceeds of refunding bonds	-	3,215,808	1,933,550	-	3,032,399	5,525,000	6,300,000	-	-	2,430,000
Payment of refunded bond escrow agent	-	(3,331,653)	(1,954,928)	-	(3,018,280)	(5,442,996)	(6,213,361)	-	-	(2,398,471)
Bond discount	-	(23,439)	(9,824)	(66,795)	(11,314)	(154,009)	(86,639)	(51,181)	-	(68,320)
Total other financing sources (uses)	-	4,739,646	(31,202)	4,933,205	2,805	4,352,995	(250,000)	3,283,319	(250,000)	4,499,809
Net Change in Fund Balance	\$ (2,406,827)	\$ 449,436	\$ 2,082,598	\$ 8,570,750	\$ (3,837,410)	\$ 2,962,205	\$ 528,178	\$ 3,851,744	\$ (980,530)	\$ 7,159,243
Debt service as a percentage of noncapital expenditures	17.9 %	14.5 %	16.5 %	14.8 %	15.3 %	13.9 %	13.4 %	13.8 %	13.6 %	12.8 %

CITY OF BRENTWOOD, TENNESSEE

ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY (UNAUDITED)

LAST TEN YEARS

FISCAL YEAR *	COMMERCIAL			RESIDENTIAL		FARM		PERSONAL PROPERTY		TOTAL TAXABLE ASSESSED VALUE		TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE		TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE
1997	\$	183,112,680	\$	437,400,650	\$	11,666,875	\$	34,143,680	\$	666,323,885	\$	0.73	\$	2,367,481,900	28.14 %
1998		208,034,800		472,791,525		11,181,075		36,733,836		728,741,236		0.73		2,577,949,260	28.27 %
1999		236,029,840		508,103,475		10,887,750		44,016,477		799,037,542		0.73		2,812,207,304	28.41 %
2000		265,147,440		536,013,825		10,292,500		51,577,205		863,030,970		0.73		3,019,310,362	28.58 %
2001		273,909,440		561,516,575		12,413,225		57,086,665		904,925,905		0.59		3,170,090,586	28.55 %
2002		369,548,600		687,874,675		18,279,225		57,928,744		1,133,631,244		0.59		3,940,595,768	28.77 %
2003		374,386,880		792,314,650		21,657,400		59,050,023		1,247,408,953		0.59		4,388,056,313	28.43 %
2004		364,462,800		843,183,500		20,731,675		52,582,710		1,280,960,685		0.59		4,541,525,809	28.21 %
2005		363,673,680		909,352,450		18,717,150		55,414,120		1,347,157,400		0.59		4,803,732,363	28.04 %
2006		366,105,640		990,004,350		19,816,550		60,646,436		1,436,572,976		0.59		5,153,907,817	27.87 %

* The fiscal year listed corresponds to the preceding tax year levy (2006 fiscal year would represent the 2005 tax levy)
This represents the period for which the taxes were levied.

CITY OF BRENTWOOD, TENNESSEE

DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)

LAST TEN FISCAL YEARS

FISCAL YEAR **	DIRECT RATE		OVERLAPPING
		CITY OF BRENTWOOD	RATE * WILLIAMSON COUNTY
1997	\$.73 / 100	2.91/100
1998		.73 / 100	2.91/100
1999		.73 / 100	2.91/100
2000		.73 / 100	2.91/100
2001		.73 / 100	2.91/100
2002		.59 / 100	2.57/100
2003		.59 / 100	2.57/100
2004		.59 / 100	2.79/100
2005		.59 / 100	2.79/100
2006		.59 / 100	2.79/100

* Overlapping rates are those of local and county governments that apply to property owners within the City of Brentwood.

* The fiscal year listed corresponds to the preceding tax year levy (2006 fiscal year would represent the 2005 tax. This represents the period for which the taxes were levied.

CITY OF BRENTWOOD, TENNESSEE

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

CURRENT YEAR AND NINE YEARS AGO

	2006				1997			
TAXPAYER	Taxable Assessed Value*	Rank	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value*	Rank	Percentage of Total City Taxable Assessed Value	
Bellsouth Telecommunication	\$ 60,341,322	1	4.03 %		\$ 79,600,066	1	10.67 %	
Highwoods/Tenn Holdings LB	29,088,840	2	1.94		-		-	
SBP Nashville LLC	14,942,520	3	1.00		-		-	
Duke Realty LP	10,190,480	4	0.68		-		-	
Brentwood Retail II Corp	9,317,760	5	0.62		-		-	
Gateway Kentfield	8,627,640	6	0.58		-		-	
Wells Fund XII-Reit Joint	8,563,120	7	0.57		-		-	
Developers Diversified	8,375,960	8	0.56		-		-	
Highwoods Realty LP	6,340,600	9	0.42		-		-	
Highwoods/Forsyth LP	6,340,000	10	0.42		-		-	
Service Merchandise Company, Inc.	-		-		12,376,889	2	1.66	
Principal Mutual Life	-		-		9,760,120	3	1.31	
The Northwestern Life	-		-		7,648,560	4	1.03	
Metropolitan Employees Benefit (FISI)	-		-		6,410,440	5	0.86	
Eastpark LP	-		-		5,343,240	6	0.72	
Ayers, James W.	-		-		4,731,520	7	0.63	
Hilton Suites	-		-		4,532,729	8	0.61	
NWI Warehouse Group LP	-		-		4,045,840	9	0.54	
Connecticut General Life Ins.	-		-		3,985,360	10	0.53	
Total	\$ 162,128,242		10.83 %		\$ 138,434,764		18.56 %	
Total Assessment	\$ 1,496,914,298	**			\$ 745,923,951	***		

* Source: - 1996 and 2005 Williamson County Assessment

** Total Assessment Value for Tax Year 2005

*** Comptroller of the Treasury Office of Assessed Properties

CITY OF BRENTWOOD

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

LAST TEN YEARS

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
1997	\$ 5,561,480	\$ 5,422,963	97.5%	\$ 134,227	\$ 5,557,190	99.9%
1998	5,958,781	5,863,248	98.4%	86,338	5,949,586	99.8%
1999	6,369,408	6,274,712	98.5%	84,644	6,359,356	99.8%
2000	6,847,053	6,734,519	98.4%	102,078	6,836,597	99.8%
2001	6,998,153	6,788,687	97.0%	181,676	6,970,363	99.6%
2002	7,288,260	7,111,642	97.6%	168,108	7,279,750	99.9%
2003	7,359,856	7,252,397	98.5%	98,098	7,350,495	99.9%
2004	7,545,119	7,419,009	98.3%	119,313	7,538,322	99.9%
2005	7,935,424	7,802,864	98.3%	103,753	7,906,617	99.6%
2006	8,448,015	8,153,723	96.5%	-	8,153,723	96.5%

Taxes are assessed as of January 1 and are due October 1 of each year. Taxes become delinquent after February 28 of the following year and a penalty of 2% accrues on the first day of each month that taxes remain delinquent up to a maximum of 24%.

* The fiscal year listed corresponds to the preceding tax year levy (2006 fiscal year would represent the 2005 tax levy).
This represents the period for which the taxes were levied.

CITY OF BRENTWOOD, TENNESSEE

TAXABLE SALES BY CATEGORY (UNAUDITED)

LAST TEN CALENDAR YEARS

	Calendar Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Apparel stores	n/a	\$ 11,531,724	\$ 10,721,108	\$ 24,630,211	\$ 21,707,098	\$ 19,276,897	\$ 21,632,712	\$ 24,338,837	\$ 28,153,688	\$ 33,176,460
General merchandise	n/a	7,022,714	9,410,391	26,074,108	46,207,616	47,170,450	53,182,206	59,671,979	69,488,049	79,666,952
Food stores	n/a	70,174,977	78,370,475	80,180,492	74,502,149	70,895,880	63,603,432	72,279,793	84,458,519	105,320,600
Eating and drinking establishments	n/a	36,151,544	46,090,006	46,431,485	47,159,944	47,694,538	45,522,175	46,851,981	51,765,342	59,831,570
Home furnishings and appliances	n/a	43,868,584	65,254,689	107,886,768	112,374,824	107,932,684	112,718,865	116,455,912	128,593,275	136,368,574
Building materials and farm tools	n/a	58,493,319	52,698,988	55,447,990	50,355,224	40,329,360	41,154,270	45,042,058	53,174,769	58,575,236
Auto dealers and supplies	n/a	8,243,952	15,319,450	18,918,910	20,977,877	20,345,892	21,817,433	24,583,902	26,465,210	27,832,270
Service stations	n/a	34,210,540	46,501,750	55,776,540	59,603,388	59,754,538	64,228,381	62,720,402	68,616,782	89,527,572
Other retail stores	n/a	138,322,228	150,928,594	146,570,259	165,248,927	178,171,037	155,717,210	142,956,303	148,663,977	168,510,459
All other outlets	n/a	-	-	-	-	-	-	-	-	-
Total	n/a	\$ 408,019,582	\$ 475,295,451	\$ 561,916,763	\$ 598,137,047	\$ 591,571,276	\$ 579,576,684	\$ 594,901,167	\$ 659,379,611	\$ 758,809,693

City/County direct sales tax

2.25%

2.25%

2.25%

2.25%

2.25%

2.25%

2.25%

2.25%

2.25%

2.25%

Source: Tennessee Department of Revenue, Research Division.

n/a - information not available

CITY OF BRENTWOOD, TENNESSEE

DIRECT AND OVERLAPPING SALES TAX RATES (UNAUDITED)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Williamson County</u>	<u>State of Tennessee</u>
1997	1.125 %	1.125 %	6.00 %
1998	1.125	1.125	6.00
1999	1.125	1.125	6.00
2000	1.125	1.125	6.00
2001	1.125	1.125	6.00
2002	1.125	1.125	6.00
2003	1.125	1.125	7.00
2004	1.125	1.125	7.00
2005	1.125	1.125	7.00
2006	1.125	1.125	7.00

Note: The total local option sales tax of 2.25% consist of the City's rate of 1.125% and County rate of 1.125%, earmarked entirely for Williamson County schools. The local option tax can be increased by a maximum of .50% to 1.175% by a referendum vote of the citizens.

CITY OF BRENTWOOD, TENNESSEE

SALES TAX REVENUE PAYERS BY INDUSTRY (UNAUDITED)

FISCAL YEARS 1999 AND 2006

Sector	1999				2006			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
1 Retail Trade	510	50 %	\$ 7,667,888	67 %	600	50 %	\$ 13,969,403	79 %
2 Services	328	31	2,180,586	19	353	30	2,548,793	14
3 Manufacturing	53	5	462,574	4	55	5	416,550	2
4 Wholesale Trade	66	6	237,289	2	91	8	197,708	1
5 Construction	23	2	191,178	2	21	2	265,391	1
6 Finance Insurance Real Estate	21	2	16,302	-	13	1	7,402	-
7 Transportation and Utilities	26	2	556,113	5	12	1	319,449	2
8 Agriculture	14	1	25,282	-	9	1	25,203	-
9 Other, Non Classified	10	1	137,633	1	26	2	165,619	1
Total	1,051	100 %	\$ 11,474,845	100 %	1,180	100 %	\$ 17,915,518	100 %

Source: Tennessee Department of Revenue, Research Division.

Notes:

1. Figures subject to revision due to amended taxpayer returns.
2. Figures represent local sales tax collected by merchants during the period, not disbursements from the Department of Revenue.
3. Changes in local telecommunications sourcing rules in 2003 reduced the number of taxpayers reporting in the Transportation and Utilities sector.
4. Does not include Brentwood's share of county clerk or out-of-state taxpayer amounts.

CITY OF BRENTWOOD, TENNESSEE

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)

LAST TEN FISCAL YEARS

FISCAL YEAR	GOVERNMENT ACTIVITIES	BUSINESS TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME *		PER CAPITA *
	GENERAL OBLIGATION BONDS	WATER & SEWER REVENUE BONDS	STATE/TML WATER LOANS	PERSONAL INCOME *		%		
		\$	\$				\$	
1997	17,225,000	12,505,000	2,633,563	32,363,563	30.48	\$	1,454	
1998	21,175,000	14,555,000	2,433,835	38,163,835	25.85		1,674	
1999	20,272,065	13,520,000	2,224,431	36,016,496	32.37		1,539	
2000	23,775,000	12,355,000	2,095,217	38,225,217	31.16		1,630	
2001	22,535,000	14,170,000	1,954,186	38,659,186	35.47		1,445	
2002	25,790,000	12,970,000	1,809,196	40,569,196	33.80		1,517	
2003	24,565,000	12,000,000	1,644,258	38,209,258	36.29		1,429	
2004	26,380,000	10,720,000	1,419,262	38,519,262	45.37		1,258	
2005	24,430,000	9,385,000	1,186,957	35,001,957	49.93		1,143	
2006	27,195,000	8,065,000	947,104	36,207,104	47.86		1,183	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Calculated information provided on page 91 (Demographic and Economic Statistics).

CITY OF BRENTWOOD

RATIOS OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN (UNAUDITED)

LAST TEN FISCAL YEARS

	FISCAL YEAR									
<i>(dollars in thousands, except per capita)</i>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General bonded debt outstanding general obligation bonds	\$ 17,225	\$ 21,175	\$ 20,272	\$ 23,775	\$ 22,535	\$ 25,790	\$ 24,565	\$ 26,380	\$ 24,430	\$ 27,195
Percentage of estimated actual property value	2.59%	2.91%	2.54%	2.75%	2.49%	2.27%	1.97%	2.06%	1.81%	1.89%
Per capita	773.98	928.73	866.33	1,014.08	842.59	964.36	918.56	861.61	797.92	888.23
Less: Amounts set aside to repay general debt	1,702	2,346	2,332	2,500	2,778	2,896	2,927	2,955	2,952	3,023
Total net debt applicable to debt limit	\$ 15,523	\$ 18,829	\$ 17,940	\$ 21,275	\$ 19,757	\$ 22,894	\$ 21,638	\$ 23,425	\$ 21,478	\$ 24,172
Legal debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Legal debt margin as a percentage of the debt limit	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *

* The City has no legal debt margin set by ordinance.

** Property value obtained from page 80 (Assessed and Estimated Actual Value of Property)

***Per capita information calculated with information obtained on page 91 (Demographic and Economic Statistics).

CITY OF BRENTWOOD, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

AS OF JUNE 30, 2006

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING (IN THOUSANDS)</u>	<u>ESTIMATED PERCENTAGE APPLICABLE (1)</u>	<u>ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT (2)</u>
Direct:			
City of Brentwood	\$ 27,195	100.0%	\$ 27,195
Overlapping:			
Williamson County	<u>342,253</u>	33.9%	<u>116,034</u>
Total	<u>\$ 369,448</u>		<u>\$ 143,229</u>

(1) Determined by ratio of assessed valuation of property subject to taxation in City of Brentwood to valuation of property subject to taxation in Williamson County.

(2) Amount in debt outstanding column multiplied by percentage applicable.

CITY OF BRENTWOOD, TENNESSEE

PLEDGED REVENUE COVERAGE (UNAUDITED)

LAST TEN FISCAL YEARS

FISCAL YEAR	WATER & SEWER REVENUE BONDS			DEBT SERVICE REQUIREMENTS***			COVERAGE
	UTILITY SERVICE	LESS: OPERATING	NET AVAILABLE				
	CHARGES	EXPENSES**	REVENUE	PRINCIPAL	INTEREST	TOTAL	
1997	\$ 6,773,383	\$ 4,223,159	\$ 2,550,224	\$ 1,110,909	\$ 714,226	\$ 1,825,135	1.40
1998	7,337,212	4,290,543	3,046,669	1,075,909	615,930	1,691,839	1.80
1999	7,823,211	4,247,068	3,576,143	1,200,909	680,431	1,881,340	1.90
2000	8,196,249	4,658,988	3,537,261	1,165,002	614,839	1,779,841	1.99
2001	10,220,200	5,169,932	5,050,268	1,225,001	555,813	1,780,814	2.84
2002	10,481,682	5,513,158	4,968,524	1,200,000	652,953	1,852,953	2.68
2003	10,547,074	6,441,834	4,105,240	1,185,000	582,659	1,767,659	2.32
2004	10,971,029	6,654,397	4,316,632	1,280,000	468,904	1,748,904	2.47
2005	11,781,930	6,771,726	5,010,204	1,335,000	415,304	1,750,304	2.86
2006	13,320,702	7,551,700	5,769,002	1,365,000	321,380	1,686,380	3.42

*Includes nonoperating revenues (includes water and sewer tap fees beginning in 2001).

**Does not include depreciation and amortization.

***Does not include payments on State loans.

CITY OF BRENTWOOD, TENNESSEE

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)

LAST TEN CALENDAR YEARS

CALENDAR YEAR	POPULATION	PERSONAL INCOME (IN THOUSANDS OF DOLLARS) ^a		PER CAPITA PERSONAL INCOME ^a		MEDIAN AGE ^a		SCHOOL ENROLLMENT ^b	UNEMPLOYMENT RATE ^c
1997	22,255 ²	986,602		N/A		36.9		5,274	1.7%
1998	22,800 ¹	986,602		43,272		37.9		5,643	1.9%
1999	23,400 ¹	1,165,835		49,822		39.1		5,957	2.0%
2000	23,445 ³	1,191,217		50,809		38.4		6,101	1.9%
2001	26,745 ¹	1,371,056		51,264		38.3		6,135	2.1%
2002	26,743 ⁴	1,371,056		N/A		40.2		6,731	2.4%
2003	26,743 ⁴	1,386,705		51,853		41.2		7,112	2.7%
2004	30,617 ⁵	1,747,527		57,077		42.0		7,768	2.8%
2005	30,617 ⁵	1,747,527		N/A		36.9		8,528	4.2%
2006	30,617 ⁵	1,732,953		56,601		42.9		8,872	3.1%

¹ Based on City Planning Department estimate.

² Based on 1997 special census report

³ Based on 2000 US Bureau of the Census report

⁴ Based on 2002 special census report

⁵ Based on 2004 special census report

^a Source - Williamson Economic Development Council

^b Williamson County Public Schools located in Brentwood

^c Tennessee Dept. of Employment Security. Represents Williamson County as a whole (no data for Brentwood individually)

CITY OF BRENTWOOD, TENNESSEE

PRINCIPAL EMPLOYERS (UNAUDITED)

CURRENT YEAR AND NINE YEARS AGO

	2006			1997		
	EMPLOYER	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK
						PERCENTAGE OF TOTAL CITY EMPLOYMENT
	Condata	864	1	5.85 %	735	2
	Community Health System	701	2	4.75	-	-
	EDS	570	3	3.86	-	-
	Bellsouth	500	4	3.39	446	3
	Progeny Marketing Innovations	450	5	3.05	-	4.31
	Gambro Healthcare	350	6	2.37	-	-
	Tractor Supply Company	350	7	2.37	-	-
	Cingular Wireless	300	8	2.03	-	-
	City of Brentwood	263	9	1.78	163	8
	EMI Christian Music Group	250	10	1.69	-	1.57
	Lattimore Black Morgan & Cain	250	10	1.69	-	-
	St. Paul Travelers Co. Inc.	250	10	1.69	-	-
	Service Merchandise	-	-	-	1,200	1
	FISI-Madison Financial	-	-	-	365	4
	Quorum	-	-	-	200	5
	The Murray Ohio Manufacturing Co.	-	-	-	185	6
	Kroger Company	-	-	-	180	7
	Tennessee Baptist Convention	-	-	-	100	9
	Total	5,098		34.52 %	3,574	
	Total employment	14,770 *			10,360 **	

Source:

* Total employment numbers from US Department of Labor, Bureau of Labor Statistics

** Estimate based on current percentage of work force

CITY OF BRENTWOOD

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)

LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FULL-TIME EQUIVALENT EMPLOYEES AS OF JUNE 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GENERAL GOVT.										
City Manager	1	1	1	1	1	1	1	1	1	1
Administration	3	3	3	3	3	3	3	3	3	3
Finance	5	6	5	5	6	7	7	7	7	7
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Technology	1	1	1	2	2	3	3	3	3	4
Planning and Development	4	4	4	4	4	4	4	4	4	4
Codes	6	6	5	5	7	7	8	7	9	9
	<u>22</u>	<u>23</u>	<u>21</u>	<u>22</u>	<u>25</u>	<u>27</u>	<u>28</u>	<u>27</u>	<u>29</u>	<u>30</u>
POLICE										
Officers	38	41	44	52	51	53	55	55	55	54
Civilians	10	10	11	10	10	11	12	13	13	13
FIRE										
Firefighters & Officers	41	41	41	41	41	55	55	55	57	57
Civilians	1	1	1	1	1	1	1	1	1	1
PUBLIC WORKS										
Engineering	2	2	2	2	2	2	2	3	4	4
Public Works - Streets	15	15	16	17	18	21	21	21	20	22
UTILITIES										
Water	11	11	11	11	11	11	11	11	12	11
Wastewater	10	10	10	10	11	10	11	10	12	12
PARKS & RECREATION										
	8	10	9	9	11	10	15	15	16	19
LIBRARY										
	9	11	11	11	11	11	21	23	23	23
TOTAL REGULAR FULL-TIME	<u>167</u>	<u>175</u>	<u>177</u>	<u>186</u>	<u>192</u>	<u>212</u>	<u>232</u>	<u>234</u>	<u>242</u>	<u>246</u>

Source: City of Brentwood Personnel Department

CITY OF BRENTWOOD

OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)

LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FISCAL YEAR									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Building permits issued	814	775	709	748	717	1,171	1,706	1,807	1,337	1,629
Building inspections conducted	3,772	3,151	3,834	5,196	8,226	12,002	14,421	17,824	18,184	17,332
Police										
Physical arrests	801	817	867	820	814	807	809	728	740	812
Parking Violations	114	105	140	133	85	104	104	65	62	58
Traffic Violations	3,135	3,300	3,666	4,475	3,425	3,827	5,954	5,094	7,407	8,464
Fire										
Emergency responses	1,579	1,332	1,838	1,842	2,111	2,074	2,178	2,261	2,232	2,408
Fires extinguished	90	112	120	146	144	103	89	78	87	123
Inspections (Commercial)	296	315	288	253	319	289	347	421	434	453
Public Works										
Street resurfacing (miles)	12.25	13.3	14.44	16.95	19.10	19.68	22.23	23.01	19.28	25.35
Potholes repaired	123	99	103	104	201	292	379	326	367	258
Library										
Volumes in collection	76,500	72,000	74,223	81,459	92,369	101,794	103,220	111,689	118,000	134,355
Total volumes borrowed	238,141	225,000	335,997	327,690	432,424	459,065	506,633	542,852	550,693	458,589
Water										
New connections	255	171	164	112	135	181	173	162	148	128
Water main breaks	7	8	7	11	6	7	6	7	9	9
Monthly average daily flow	80,195,000	81,885,000	92,470,000	930,000,000	930,000,000	104,666,500	104,666,500	104,666,500	105,000,000	105,000,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	4,590.99	4,755.67	4,250.06	4,396.16	4,682.73	6,056.46	6,340.26	7,018.00	5,851.00	6,137.00

Source: Various City Departments

CITY OF BRENTWOOD

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FISCAL YEAR									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	28	34	43	48	54	54	61	59	59	64
Fire Stations	3	3	3	3	3	4	4	4	4	4
Public Works										
Streets (miles)										
Streetlights	1,840	1,900	1,900	2,025	2,110	2,165	2,565	2,565	2,600	2,607
Traffic signals	28	31	31	35	35	35	35	35	35	39
Parks and Recreation										
Acreage	259	339	379	379	379	379	379	397	455	560
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	8	8	8	10	10	12	12	15	15	15
Water										
Water mains (miles)	167	167	167	181	194	194	208	216	216	216
Fire hydrants	1,217	1,321	1,321	1,321	1,511	1,671	1,671	1,912	2,100	2,045
Storage capacity (thousand of gallons)	9,000	9,000	9,000	10,300	10,300	10,300	12,288	14,000	14,000	14,000
Wastewater										
Sanitary sewers (miles)	168	168	168	187	204	204	220	235	240	245

OTHER REPORT SECTION

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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

The Honorable Mayor and Board of Commissioners
City of Brentwood
Brentwood, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brentwood, Tennessee (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted other matters that we reported to the City's management in a separate letter dated November 10, 2006.

This report is intended solely for the information and use of the City Commissioners, management and the City's regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

KraftCPAs PLLC

Nashville, Tennessee
November 10, 2006

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CITY OF BRENTWOOD, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2006

PRIOR YEAR FINDINGS

2005-1 Internal control over construction contract disbursement processing

Status: The finding has been resolved during 2006.

CURRENT YEAR FINDING

None

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