

**BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2015 AND 2014**

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

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## **INTRODUCTORY SECTION**

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
CITY OF BRENTWOOD, TENNESSEE  
JUNE 30, 2015

Elected:

Mayor	Regina R. Smithson
Vice Mayor	Jill Burgin
Commissioner	Anne Dunn
Commissioner	Betsy Crossley
Commissioner	Mark Gorman
Commissioner	Rhea E. Little, III
Commissioner	Ken Travis

Appointed:

City Manager	Kirk Bednar
Assistant City Manager	Jay Evans
City Attorney	Roger A. Horner
City Recorder	Deborah Hedgepath
Finance Director	Carson K. Swinford
City Treasurer	Karen W. Harper
Human Resource Director	Michael Worsham
Police Chief	Jeff Hughes
Fire Chief	Brian Goss
Planning and Codes Director	Jeff Dobson
Public Works Director	Jeff Donegan
Engineering Director	Mike Harris
Water and Sewer Director	Chris Milton
Library Director	Susan Earl
Community Relations Director	Linda Lynch
Parks and Recreation Director	David M. Bunt
Technology Director	John I. Allman, IV
City Judge	Laurie Jewett

## **FINANCIAL SECTION**



## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brentwood Emergency Communications District (a component unit of the City of Brentwood, Tennessee) (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements for the year then ended as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



The Honorable Mayor and  
Board of Commissioners  
Brentwood Emergency Communications District

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brentwood Emergency Communications District, as of June 30, 2015, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of the District as of June 30, 2014, were audited by other auditors whose report dated December 22, 2014, expressed an unmodified opinion on those statements.

***Emphasis of Matter***

As discussed in Note 1, in fiscal year 2015, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 - 7, the Schedule of Funding Progress and Schedule of Employer Contributions - Other Post Employment Benefits on page 25, the Schedule of the District's Proportionate Share of the Net Pension Asset - Pension Plan on page 26, and the Schedule of District Contributions - Pension Plan on page 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



The Honorable Mayor and  
Board of Commissioners  
Brentwood Emergency Communications District

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenses - Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues and Expenses - Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses - Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Crosslin & Associates, PLLC*

Nashville, Tennessee  
December 28, 2015



## BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Brentwood Emergency Communications District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal years ended June 30, 2015 and 2014. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's financial statements. The financial report includes financial statements, notes to the financial statements and other supplementary information. The statement of net position presents information on the assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of revenues, expenses and changes in net position presents information on the revenues and expenses of the District. The statement of cash flows presents the cash provided and used by operating activities as well as other cash sources and cash payments such as investment income, capital additions and transfers to or from the City.

### FINANCIAL HIGHLIGHTS

During fiscal year 2015, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. GASB No. 68 is required to be implemented through restatement of the earliest period presented, except where restatement of all periods presented is not practical. When restatement of all periods presented is not practical, the cumulative effect of applying the Statement should be reported as a restatement of beginning net position for the earliest period restated. Management determined, based on the information available from the Tennessee Consolidated Retirement System, that it was not practical to restate beginning net position of fiscal year 2014; and accordingly the cumulative effect totaling \$70,572 has been reported as a restatement of beginning fiscal year 2015 net position. Amounts in this MD&A have been presented accordingly.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (UNAUDITED)

**District's Net Position**

	2015	2014	2013
Current Assets	\$ 1,955,569	\$ 1,750,269	\$ 1,597,289
Capital Assets	817,554	985,058	1,141,457
Net Pension Asset	59,500	-	-
Total Assets	<u>2,832,623</u>	<u>2,735,327</u>	<u>2,738,746</u>
Deferred Outflows of Resources	<u>80,171</u>	<u>-</u>	<u>-</u>
Current Liabilities	<u>133,728</u>	<u>144,158</u>	<u>156,330</u>
Deferred Inflows of Resources	<u>143,279</u>	<u>-</u>	<u>-</u>
Investment in Capital Assets	817,554	985,058	1,141,457
Unrestricted Net Position	<u>1,818,233</u>	<u>1,606,111</u>	<u>1,440,959</u>
Net Position	<u>\$ 2,635,787</u>	<u>\$ 2,591,169</u>	<u>\$ 2,582,416</u>

**District's Changes in Net Position**

	2015	2014	2013
Operating Revenues	\$ 832,420	\$ 815,607	\$ 897,741
Operating Costs and Expenses	<u>1,140,779</u>	<u>1,229,919</u>	<u>1,201,884</u>
Operating Loss	(308,359)	(414,312)	(304,143)
Interest Income	4,849	4,365	7,093
Contributions from the primary government	418,700	418,700	418,700
Tennessee Emergency Communications Board - grants and reimbursements	<u>-</u>	<u>-</u>	<u>300,000</u>
Change in Net Position	115,190	8,753	421,650
Net Position, Beginning of Year	2,591,169	2,582,416	2,160,766
GASB No. 68 Restatement	<u>(70,572)</u>	<u>-</u>	<u>-</u>
Net Position, End of Year	<u>\$ 2,635,787</u>	<u>\$ 2,591,169</u>	<u>\$ 2,582,416</u>

Operating and Nonoperating Revenues

The Brentwood Emergency Communications District total operating revenue was \$832,420 for the year ended June 30, 2015 (\$815,607 for the year ended June 30, 2014 and \$897,741 for the year ended June 30, 2013).

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (UNAUDITED)

Beginning January 1, 2015, the service fee formula for funding 911 services in Tennessee changed to a uniform statewide fee for all communication devices capable of contacting the 911 system. This new fee of \$1.16 per month is collected by the state and returned to local districts. The funding distribution model includes a minimum amount for each district based on the three year average of recurring revenue for the district between fiscal years 2010 - 2012 or the recurring revenue amount from fiscal year 2012, whichever is greater. For Brentwood, minimum distribution is based on the fiscal year 2012 amount of approximately \$864,000. This minimum distribution will provide some much needed stability given the continuing decrease in landline fees being experienced by most districts over the past several years.

With the change in the collection of service fees, those fees received directly by the District decreased to \$234,900 in fiscal year 2015 compared to \$481,954 in fiscal year 2014. Funding received through the Tennessee Emergency Communications Board increased to \$597,520 in fiscal year 2015 compared with \$333,653 in fiscal year 2014.

Subscriber fees for fiscal year 2014 amounted to \$481,954, a decrease of \$53,544 (9.9%) from prior years fees of \$535,498 associated with lower 911 telephone service charge fees due to decreased business and residential landline usage. Shared wireless revenue amounted to \$94,926 in FY 2014, a 4.2% increase from fiscal year 2013 revenue of \$91,089.

During 2015 and 2014, the District had non-operating revenue, excluding contributions from the primary government, of \$4,849 and \$4,365, respectively, resulting from interest income.

During 2013, the District had non-operating revenue, excluding contributions from the primary government, of \$307,093, resulting from interest income and \$300,000, which came in the form of an equipment reimbursement from the Tennessee Emergency Communications Board for a backup generator and uninterrupted power supply.

#### Operating Expenses

Operating expenses of the District decreased to \$1,140,779 for fiscal year 2015 compared with \$1,229,919 for fiscal year 2014 primarily due to GASB No. 68 pension related income of \$66,964, which offset pension contributions. Operating expenses increased from \$1,201,884 in fiscal year 2013 to \$1,229,919 in fiscal year 2014 primarily due to increased contracted services.

#### Capital Expenditures

There were no significant capital asset additions in fiscal year 2015. During the fiscal year ended June 30, 2014, the District purchased assets of approximately \$13,000 which consisted of communication equipment.

#### Requests for Information

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

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

## BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

## STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,955,569	\$ 1,653,966
Accounts receivable	-	87,253
Prepaid expense	<u>-</u>	<u>9,050</u>
TOTAL CURRENT ASSETS	1,955,569	1,750,269
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	817,554	985,058
Net pension asset	<u>59,500</u>	<u>-</u>
TOTAL NONCURRENT ASSETS	<u>877,054</u>	<u>985,058</u>
TOTAL ASSETS	<u>2,832,623</u>	<u>2,735,327</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	<u>80,171</u>	<u>-</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	16,177	17,585
Accrued expenses	114,901	123,404
Net amount due to primary government	<u>2,650</u>	<u>3,169</u>
TOTAL CURRENT LIABILITIES	<u>133,728</u>	<u>144,158</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>143,279</u>	<u>-</u>
NET POSITION		
Investment in capital assets	817,554	985,058
Unrestricted	<u>1,818,233</u>	<u>1,606,111</u>
TOTAL NET POSITION	<u>\$ 2,635,787</u>	<u>\$ 2,591,169</u>

See accompanying notes to financial statements.

## BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Emergency telephone subscriber fees	\$ 234,900	\$ 481,954
Tennessee Emergency Communications Board - shared wireless charge	34,712	94,926
Tennessee Emergency Communications Board - operational funding	<u>562,808</u>	<u>238,727</u>
 TOTAL OPERATING REVENUES	 <u>832,420</u>	 <u>815,607</u>
OPERATING COSTS AND EXPENSES		
Salaries and wages	533,277	544,404
Employee benefits	202,725	265,393
Contracted services	139,532	143,189
Supplies and materials	80,180	85,527
Other charges	16,576	21,593
Depreciation	<u>168,489</u>	<u>169,813</u>
 TOTAL OPERATING COSTS AND EXPENSES	 <u>1,140,779</u>	 <u>1,229,919</u>
 OPERATING LOSS	 <u>(308,359)</u>	 <u>(414,312)</u>
NONOPERATING REVENUES		
Interest income	4,849	4,365
Contributions from primary government	<u>418,700</u>	<u>418,700</u>
 TOTAL NONOPERATING REVENUES	 <u>423,549</u>	 <u>423,065</u>
 CHANGE IN NET POSITION	 115,190	 8,753
NET POSITION - BEGINNING OF YEAR	2,591,169	2,582,416
Adoption of GASB Statement No. 68 (see Note 1)	<u>(70,572)</u>	<u>-</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 2,635,787</u></u>	 <u><u>\$ 2,591,169</u></u>

See accompanying notes to financial statements.

## BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 919,673	\$ 819,605
Payments to employees	(825,583)	(791,628)
Payments to suppliers	<u>(215,051)</u>	<u>(285,250)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(120,961)</u>	<u>(257,273)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from primary government	<u>418,700</u>	<u>418,700</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>418,700</u>	<u>418,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(985)</u>	<u>(13,414)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(985)</u>	<u>(13,414)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>4,849</u>	<u>4,365</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,849</u>	<u>4,365</u>
NET INCREASE IN CASH	301,603	152,378
CASH - BEGINNING OF YEAR	<u>1,653,966</u>	<u>1,501,588</u>
CASH - END OF YEAR	<u><u>\$ 1,955,569</u></u>	<u><u>\$ 1,653,966</u></u>
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED IN OPERATING ACTIVITIES:		
Operating loss	<u>\$ (308,359)</u>	<u>\$ (414,312)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	168,489	169,813
Pension expense (income)	(66,964)	-
(Increases) decreases in assets and increases (decreases) in liabilities:		
Accounts receivable	87,253	3,998
Prepaid expenses	9,050	(4,600)
Accounts payable	(1,408)	6,875
Accrued expenses	(8,503)	18,169
Net amount due to primary government	<u>(519)</u>	<u>(37,216)</u>
TOTAL ADJUSTMENTS	<u>187,398</u>	<u>157,039</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (120,961)</u></u>	<u><u>\$ (257,273)</u></u>

See accompanying notes to financial statements.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

The service providers for land lines retain a three percent (3%) administrative collection fee for billing and collecting telephone service charges and remittances to the District. Subscriber fee revenues are reported net of these collection fees.

In addition, the City of Brentwood paid a communication service charge on behalf of the District to the service suppliers at a flat monthly recurring rate for one-party residence and business exchange access service within the geographic area. The monthly rate for 2015 was \$5,940 and for 2014 was \$6,310. Both the 2015 and 2014 rates are based on a charge of \$130 per one thousand access lines for the major service provider and \$110 per one thousand access lines for the other service suppliers.

During the past fiscal year the Tennessee Emergency Communication Board began the roll out of the Next Generation 9-1-1 (NG911) and the City of Brentwood was connected to the state's new IP network. This network is how the 9-1-1 calls are delivered. When connected to the new network, the previous fee structure that the District had been paying in the above paragraph was changed to a newer model that saves the District money. This is what the District used during the year ended June 30, 2015.

Organization

The accompanying financial statements encompass the financial activities of the District, a component unit of the City of Brentwood, Tennessee, which is the principal reporting entity and primary government. Pursuant to T.C.A. §7-86-105(b)(7), the Board of Commissioners of the City of Brentwood is designated as the board of directors for the District, and all duly elected members of the Board of Commissioners serve as members of the District's board of directors, unless any member is removed pursuant to state law.

The terms of the members of the Board of Commissioners run concurrently with their terms as members of the District's board of directors. Unless otherwise decided by majority vote of the members of the board of directors, the mayor shall serve as chairman and the vice-mayor as vice-chairman of the board of directors.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met. With this measurement focus, all assets and liabilities associated with operations are included in the statement of net position. Net position is separated between investment in capital assets and unrestricted components.

The District distinguishes 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 the District's ongoing operations. The principal operating revenues of the District are emergency telephone charges levied on residential and business service users. Operating expenses include the cost of providing these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash

Cash consists of demand deposit accounts with a financial institution.

Capital Assets and Depreciation

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

Compensated Absences

The District's employees are considered employees of the City of Brentwood. The City's personnel policy permits employees to accumulate earned but unused annual (vacation) leave and sick days. Annual leave days may accumulate to a maximum of 30 days for employees with up to 5 years of service, 45 days for employees with up to 20 years of service, and 60 days for employees with 20 or more years of service. There is no maximum number of sick days which may be accumulated. Upon termination, employees receive payment for accumulated annual leave days. Employees who leave employment with at least 20 years of service and are at least age 55 are paid a portion of the accumulated sick days depending on their date of hire. In addition, the City Manager has the authority to pay employees who resign from employment of the City up to 50% of the accrued sick days up to a maximum payment of 30 days. A liability for accumulated compensated absences is accrued when incurred.



BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable consist primarily of amounts due from service suppliers and the Tennessee Emergency Communications Board for subscriber and wireless fee revenues earned but not collected at year end. Accounts receivable are deemed to be fully collectible by management and no allowance for bad debts is considered necessary at June 30, 2015 and 2014.

Revenue and Expense Recognition

*Prior to January 1, 2015*

Subscriber fee revenues and related direct costs were recognized in the period in which monthly subscriber fees are billed by the service supplier. Any subscriber accounts subsequently determined to be uncollectible were charged against revenues at that time. In management's opinion, such reporting does not materially affect the financial statements. Wireless telephone service providers charge \$1.00 per line monthly, which is then paid to the Tennessee Emergency Communications Board (the "TECB"). In accordance with T.C.A. §7-86-303(d), the TECB shall disburse 25% of such revenue to emergency communications districts based on the proportion of population of that district according to the most recent census. Shared wireless revenues are recognized by the District in the period the surcharge is assessed by the service provider. In October 2006, the TECB approved certain additional funding from wireless revenues that was provided annually to the local emergency communications districts.

*Effective January 1, 2015*

Beginning January 1, 2015, the service fee formula for funding 911 services in Tennessee changed to a uniform statewide fee for all communication devices capable of contacting the 911 system. This new fee of \$1.16 per month will be collected by the state and returned to local districts. The funding distribution model includes a minimum amount for each district based on the three year average of recurring revenue for the district between fiscal years 2010 - 2012 or the recurring revenue amount from fiscal year 2012, whichever is greater. For Brentwood, minimum distribution is based on the fiscal year 2012 amount of approximately \$864,000.

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

Use of Estimates

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

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements and Related Application of Accounting Principle

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which is intended to improve the usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance value for assessing accountability by requiring recognition of the entire net pension liability and more comprehensive measure of pension expense. The new standard intends to improve the accounting and financial reporting by state and local governments for pensions and by providing more transparency about the pension plan through new note disclosures and supplementary information. It resulted in the District recognizing the net pension liability on the statement of net position for its participation in the City's pension plan. The net pension liability is the discounted liability determined based on the expected benefit payments for past periods of service (i.e., the Total Pension Liability) less the net position of the plan based on the fair value of assets at the measurement date (i.e., the Fiduciary Net Position). The Statement requires retroactive application through restatement of beginning net position. Other measurement changes include recognizing annual pension cost.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. This Statement amends GASB No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The City adopted GASB Statements No. 68 and 71 during fiscal year 2015 and the provisions of Statement No. 71 are included in this report. The implementation of these Statements is required to be through restatement of the earliest period presented, except where restatement of all periods presented is not practical. When restatement of all periods presented is not practical, the cumulative effect of applying the Statement should be reported as a restatement of beginning net position for the earliest period restated. Management determined, based on the information available from the Tennessee Consolidated Retirement System, that it was not practical to restate beginning net position of fiscal year 2014; and accordingly the cumulative effect totaling \$70,572 has been reported as a restatement of beginning fiscal year 2015 net position.

NOTE 2 - CUSTODIAL CREDIT RISK - DEPOSITS

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

Custodial risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The City, which includes the District, minimizes this risk by requiring full collateralization on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit, except when the institution issuing the certificate of deposit belongs to the State of Tennessee bank collateral pool. As of June 30, 2015, the District's deposits were fully insured or collateralized.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 3 - CAPITAL ASSETS

Schedules of changes in capital assets follow for the years ended June 30, 2015 and 2014:

	<b>2015</b>			
	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Building improvements	\$ 320,072	\$ -	\$ -	\$ 320,072
Furniture and fixtures	81,194	-	-	81,194
Equipment	1,543,063	985	-	1,544,048
Total capital assets being depreciated	1,944,329	985	-	1,945,314
Less accumulated depreciation for:				
Building and improvements	(64,212)	(24,256)	-	(88,468)
Furniture and fixtures	(31,895)	(10,800)	-	(42,695)
Equipment	(863,164)	(133,433)	-	(996,597)
Total accumulated depreciation	(959,271)	(168,489)	-	(1,127,760)
Capital assets, net	\$ 985,058	\$ (167,504)	\$ -	\$ 817,554

  

	<b>2014</b>			
	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Building improvements	\$ 320,072	\$ -	\$ -	\$ 320,072
Furniture and fixtures	81,194	-	-	81,194
Equipment	1,529,649	13,414	-	1,543,063
Total capital assets being depreciated	1,930,915	13,414	-	1,944,329
Less accumulated depreciation for:				
Building and improvements	(39,956)	(24,256)	-	(64,212)
Furniture and fixtures	(20,943)	(10,952)	-	(31,895)
Equipment	(728,559)	(134,605)	-	(863,164)
Total accumulated depreciation	(789,458)	(169,813)	-	(959,271)
Capital assets, net	\$ 1,141,457	\$ (156,399)	\$ -	\$ 985,058

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 4 - TAX-EXEMPT STATUS

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

NOTE 5 - RISK MANAGEMENT

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

Beginning with calendar year 2010, the City (which includes the District's employees) modified its fully insured employee group health insurance plan to include a high-deductible (\$5,000) and high max out-of-pocket (\$6,500) plan coupled with a City-funded Health Reimbursement Arrangement (HRA). The HRA was implemented to effectively limit the employee deductible and max out-of-pocket to \$1,000 (\$2,000 for dependent coverage). The City established the Insurance Fund, which functions as an internal service fund, to account and finance its HRA claims obligations and insurance premiums related to employee health and vision insurance coverage. Effective January 1, 2011, the City terminated its fully insured employee group health insurance plan, and established a partially self-funded insurance plan coupled with the existing city funded HRA. Under the partially self-funded insurance plan, which is administered by Blue Cross Blue Shield of Tennessee, the City is liable through the HRA for up to \$5,500 of the first \$6,500 of individual employee claims with the employee being liable for up to \$1,000 out of pocket. The City then assumes liability for additional individual medical claims up to \$70,000. To help mitigate losses from high-dollar medical claims beyond the HRA combined City and employee liability of \$75,500 and the employee's out of pocket maximum of \$1,000 (total of \$75,500 funded amount), the City purchased catastrophic insurance coverage plans for Specific Stop Loss and Aggregate Stop Loss coverage. Specific Stop Loss coverage limits the City's potential liability for an individual catastrophic claim by covering all costs for an individual member once those costs exceed \$70,000 over and above the HRA funded amount and employee out of pocket maximum. Aggregate stop loss coverage caps the City's liability for all claims in the entire plan at an agreed upon dollar amount. In calendar year 2015, the aggregate stop loss threshold is \$2.2 million.

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

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 6 - BUDGETS

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

The Director is authorized to transfer budgeted amounts between categories within the District; any revisions that alter the total appropriations for the District must be approved through the passage of an ordinance by the Board of Commissioners. The Accounting and Reporting Manual for Tennessee Emergency Communications Districts requires the legal level of control to be at the line item level. Budget-to-actual financial statements are provided to the Board on a monthly basis.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Contributions Information

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

Membership in the plan consisted of the following (District employees are included in the category general government) at January 1, 2015, the date of the latest actuarial evaluation:

	<u>General Government</u>	<u>Fire/Police</u>	<u>Total</u>
Active employees	137	112	249
Retired employees	<u>5</u>	<u>15</u>	<u>20</u>
Total	<u>142</u>	<u>127</u>	<u>269</u>

Benefits Provided

Employees are fully eligible for post-retirement medical and life insurance once they reach the minimum age of 55 with 20 years of service with the City. For eligible employees hired prior to July 1, 2005 who are not eligible for health insurance coverage from or through another employer, the City pays the total cost for group health insurance coverage for the retired employee. The cost for health insurance coverage for the retired employee's eligible dependents, if any, who are themselves not yet age sixty-five (65) is the same as the cost for dependent coverage for active employees under the City's group health insurance plan. For eligible employees hired post July 1, 2005 who are not eligible for health insurance coverage from or through another employer, the City pays a share of the cost for group health insurance coverage for the retired employee based upon years of full-time service at the time of retirement. If the retiree elects to cover their eligible dependents, the retiree will be required to pay 100% of the additional cost for this dependent coverage. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. For eligible retirees who have reached age 65, were hired prior to July 1, 2005 and retired after July 1, 2002, the City reimburses the cost of a Medicare supplement plan up to the actual cost of the supplemental policy or 40% of the established monthly COBRA rate for employee only group health insurance coverage under the lowest priced group plan for current employees, whichever amount is less.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - Continued

Funding Policy

The contribution requirements are established and may be amended by the Board of Commissioners. The required contribution is based on an actuarial valuation utilizing the entry age normal method. During 2008, the City prefunded a trust account, administered by ICMA Retirement Corporation, in the amount of \$2,260,000, which included the 2008 annual required contribution of \$598,000, less amounts paid as premium benefits. For fiscal year 2015, the City contributed \$599,580 to the Trust and withdrew \$234,861 to pay benefits. The prefunding will reduce the annual required contribution in future years. All contributions were made by the employer (no contributions by active or retired employees). Employer contributions are calculated as 4.65% of covered payroll.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset) for the years ended June 30:

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 612,438	\$ 585,990
Interest on net OPEB obligation	( 107,568)	( 107,568)
Adjustment to annual required contribution	<u>94,710</u>	<u>91,645</u>
Annual OPEB cost (expense)	599,580	570,067
Contributions made	<u>( 599,580)</u>	<u>( 570,067)</u>
Increase in net OPEB obligation	-	-
Net OPEB obligation (asset) - beginning of year	<u>(1,749,078)</u>	<u>(1,749,078)</u>
Net OPEB obligation (asset) - end of year	<u>\$(1,749,078)</u>	<u>\$(1,749,078)</u>

The District's portion of the annual required contribution and actual contribution made was \$21,255 for each of the years ended June 30, 2015 and 2014. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$599,580	100.0%	\$(1,749,078)
2014	570,067	100.0%	(1,749,078)
2013	635,575	100.0%	(1,749,078)

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - Continued

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 60.0% funded. The actuarial accrued liability for benefits was \$12,801,342 and the actuarial value of assets was \$7,675,196 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,126,146. The covered payroll (annual payroll of active employees covered by the plan) was \$12,738,804 and the ratio of the UAAL to the covered payroll was 40.2%.

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.75% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. Both rates include a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was twenty-two years.

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

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Pensions

The District participates with the City of Brentwood in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District and City's participation in the Public Employee Retirement Plan of the TCRS and additions to/deductions from the District and City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**General Information about the Pension Plan**

Plan description

Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.



BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The District had previously adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll. As of January 1, 2010, the District has elected to discontinue the non-contributory provision for all future hires. This will require all new hires to contribute 5% of enable compensation. Employees who were employed prior to January 1, 2010 will continue to be eligible for noncontributory provision. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$80,171 based on a rate of 15.35% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Asset**

At June 30, 2015, the District reported an asset of \$59,500 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension asset was determined by an actuarial valuation as of that date. The District's portion of the net pension asset was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating City departments. At June 30, 2014, the District's portion was 3.52%.

Actuarial assumptions

The total pension asset as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5% net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability (asset) was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City, including the District, will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability (asset)	\$ 181,276	\$ (59,500)	\$ (258,338)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Pension expense

For the year ended June 30, 2015, the District's proportionate share of pension expense was \$27,602.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 43,029
Net difference between projected and actual earnings on pension plan investments	-	100,250
Contributions subsequent to the measurement date of June 30, 2014	<u>80,171</u>	<u>-</u>
Total	<u>\$80,171</u>	<u>\$143,279</u>

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Employer contributions subsequent to the measurement date will be recognized as a reduction of the pension liability (asset) in fiscal year 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2016	\$ (33,682)
2017	(33,682)
2018	(33,682)
2019	(33,682)
2020	( 8,551)
Thereafter	-

**Payable to the Pension Plan**

At June 30, 2015, the District did not have a payable relating to contributions to the Plan required for the year ended June 30, 2015.

NOTE 9 - DEFERRED COMPENSATION PLANS

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

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

Upon two years of full-time service, the City matches, on a dollar for dollar basis, a maximum of up to 3% of the employee's base salary into the 401(a) plan. The District's match for the year ended June 30, 2015 totaled \$6,359 (\$7,708 in 2014).

## **REQUIRED SUPPLEMENTARY INFORMATION**

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

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

OTHER POST EMPLOYMENT BENEFITS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
(Unaudited)

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit</u>	<u>Unfunded Aal (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/11	\$ 4,179,023	\$ 8,260,634	\$ 4,081,611	50.6%	\$ 12,472,750	32.7%
01/01/13	5,853,881	9,569,585	3,715,704	61.2%	12,672,263	29.3%
01/01/15	7,675,196	12,801,342	5,126,146	60.0%	12,738,804	40.2%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Employer Contributions</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 635,575	100.0 %
2014	570,667	100.0
2015	599,580	100.0

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET

JUNE 30, 2015

(Unaudited)

	2014 (Measurement Date)
District's proportion of the net pension asset	3.52%
District's proportionate share of the net pension asset	\$ 59,500
District's covered-employee payroll	\$ 520,424
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	11.43%
Plan fiduciary net position as a percentage of the total pension asset	103.78%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will add to this schedule in future fiscal years until 10 years of information is available.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

JUNE 30, 2015

(Unaudited)

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 80,171	\$ 79,900
Contributions in relation to the contractually required contribution	<u>(80,171)</u>	<u>(79,900)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 520,424	\$ 520,424
Contributions as a percentage of covered-employee payroll	15.40%	15.35%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will add to this schedule in future fiscal years until 10 years of information is available.



## **ADDITIONAL INFORMATION**

## BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER)
	ORIGINAL	FINAL		
OPERATING REVENUES				
Subscriber fees:				
Emergency telephone service charges	\$ 260,000	\$ 260,000	\$ 234,900	\$ (25,100)
Tennessee Emergency Communications Board - shared wireless charge	50,000	50,000	34,712	(15,288)
Tennessee Emergency Communications Board - operational funding	570,670	570,670	562,808	(7,862)
TOTAL OPERATING REVENUES	880,670	880,670	832,420	(48,250)
OPERATING COSTS AND EXPENSES				
Salaries and wages:				
Salaries - dispatchers	522,620	515,360	468,572	(46,788)
Salaries - overtime pay	44,975	49,645	49,638	(7)
Shift differential	11,100	11,100	10,407	(693)
Longevity	5,300	5,300	4,660	(640)
Employee benefits:				
Social security	44,675	47,265	47,258	(7)
Life insurance	1,955	1,955	1,840	(115)
Medical insurance	94,985	94,985	94,985	-
Dental insurance	2,000	2,000	1,527	(473)
Retirement	88,830	88,830	27,602	(61,228)
Other post-employment benefits	21,255	21,255	21,255	-
Supplemental retirement - Section 457 Plan	8,000	8,000	6,359	(1,641)
Sick leave buy-backs	2,000	2,000	1,399	(601)
Attendance bonus	1,000	1,000	500	(500)
Annual leave buy-backs	1,000	1,000	-	(1,000)
Contracted services:				
Audit services	9,040	9,040	8,775	(265)
Mapping/database expenses	10,000	10,000	10,000	-
Lease/rental - building and facilities	31,800	31,800	31,800	-
Lease/rental - office equipment	10,000	10,000	8,370	(1,630)
Maintenance and repairs - communications equipment	76,500	79,525	79,518	(7)
Other contracted services	60,500	57,475	1,069	(56,406)
Supplies and materials:				
Office supplies	2,500	2,500	1,252	(1,248)
Uniforms and shirts	5,500	6,270	6,260	(10)
Utilities - general telephone	75,720	75,720	71,280	(4,440)
Other supplies and materials	2,300	1,530	1,388	(142)
Other charges:				
Dues and memberships	6,000	6,000	4,836	(1,164)
Insurance - workers' compensation	3,145	3,145	3,145	-
Insurance - liability	2,600	2,600	1,965	(635)
Premiums on surety bonds	1,700	1,700	-	(1,700)
Travel expenses	5,000	5,000	4,896	(104)
Other charges - miscellaneous	3,500	3,500	1,734	(1,766)
TOTAL OPERATING COSTS AND EXPENSES	1,155,500	1,155,500	972,290	(183,210)
Depreciation	170,000	170,000	168,489	(1,511)
TOTAL EXPENSES	1,325,500	1,325,500	1,140,779	(184,721)
NONOPERATING REVENUES (EXPENSES)				
Interest income	3,000	3,000	4,849	1,849
Contributions from primary government	418,700	418,700	418,700	-
TOTAL NONOPERATING REVENUES	421,700	421,700	423,549	1,849
EXCESS OF REVENUES OVER EXPENSES	\$ (23,130)	\$ (23,130)	\$ 115,190	\$ 138,320

## **OTHER REPORT**



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  
Brentwood Emergency Communications District  
Brentwood, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Brentwood Emergency Communications District (a component unit of the City of Brentwood, Tennessee) (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2015.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The Honorable Mayor and  
Board of Commissioners  
Brentwood Emergency Communications District

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

## PURPOSE OF THIS REPORT

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

*Crosslin & Associates, PLLC*

Nashville, Tennessee  
December 28, 2015