

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

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

JUNE 30, 2017 AND 2016

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

Table of Contents

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS OF THE CITY OF BRENTWOOD	1
INDEPENDENT AUDITOR’S REPORT	2 - 4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5 - 8
FINANCIAL STATEMENTS	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress and Schedule of Employer Contributions - Other Postemployment Benefits (Unaudited)	27
Schedule of the District’s Proportionate Share of the Net Pension Asset - Pension Plan (Unaudited)	28
Schedule of District Contributions - Pension Plan (Unaudited)	29
ADDITIONAL INFORMATION	
Schedule of Revenues and Expenses - Budget and Actual	30
Schedule of Detailed Expenses	31
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 <i>Government Auditing Standards</i>	32 - 33
SUMMARY OF PRIOR AUDIT FINDINGS	34

INTRODUCTORY SECTION

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
LIST OF PRINCIPAL OFFICIALS
CITY OF BRENTWOOD, TENNESSEE
JUNE 30, 2017

Elected:

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

Appointed:

City Manager	Kirk Bednar
Assistant City Manager	Jay Evans
City Attorney	Roger Horner
City Recorder	Deborah Hedgepath
Finance Director	Richard Parker
City Treasurer	Karen 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	Deanna Lambert
Parks and Recreation Director	David Bunt
Technology Director	John Allman
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 the Brentwood Emergency Communications District (a component unit of the City of Brentwood, Tennessee) (the "District"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.



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, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 - 8, the Schedule of Funding Progress and Schedule of Employer Contributions - Other Postemployment Benefits on page 27, the Schedule of the District's Proportionate Share of the Net Pension Asset - Pension Plan on page 28, and the Schedule of District Contributions - Pension Plan on page 29, 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.

Other Information

Our audits were 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 and Schedule of Detailed Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Revenues and Expenses - Budget and Actual and Schedule of Detailed Expenses are the responsibility of management and were derived from and relate 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 audits 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 and Schedule of Detailed Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The Honorable Mayor and
Board of Commissioners
Brentwood Emergency Communications District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, 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, PLLC

Nashville, Tennessee
December 18, 2017

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, 2017 and 2016. 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.

The financial statements provide both long-term and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred.

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

The following tables present a summary of the District's net position as of June 30, 2017, 2016 and 2015 and changes in net position for the years then ended.

District's Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 1,682,147	\$ 2,187,358	\$ 1,955,569
Capital Assets	595,352	727,050	817,554
Net Pension Asset	<u>9,180</u>	<u>36,978</u>	<u>59,500</u>
Total Assets	<u>2,286,679</u>	<u>2,951,386</u>	<u>2,832,623</u>
Deferred Outflows of Resources	<u>155,258</u>	<u>85,099</u>	<u>80,171</u>
Current Liabilities	<u>134,176</u>	<u>229,222</u>	<u>133,728</u>
Deferred Inflows of Resources	<u>32,510</u>	<u>52,532</u>	<u>143,279</u>
Investment in Capital Assets	595,352	727,050	817,554
Restricted	9,180	36,978	59,500
Unrestricted Net Position	<u>1,670,719</u>	<u>1,990,703</u>	<u>1,758,733</u>
Net Position	<u>\$ 2,275,251</u>	<u>\$ 2,754,731</u>	<u>\$ 2,635,787</u>

District's Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 972,979	\$ 880,775	\$ 832,420
Operating Costs and Expenses	<u>1,208,410</u>	<u>1,192,066</u>	<u>1,140,779</u>
Operating Loss	(235,431)	(311,291)	(308,359)
Interest Income	21,251	11,535	4,849
Contributions from the primary government	484,700	418,700	418,700
Transfers to the primary government	<u>(750,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(479,480)	118,944	115,190
Net Position, Beginning of Year	2,754,731	2,635,787	2,591,169
GASB No 68 Restatement	<u>-</u>	<u>-</u>	<u>(70,572)</u>
Net Position, End of Year	<u>\$ 2,275,251</u>	<u>\$ 2,754,731</u>	<u>\$ 2,635,787</u>

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

Operating and Nonoperating Revenues

The Brentwood Emergency Communications District total operating revenue was \$972,979, \$880,775 and \$832,420 for the years ended June 30, 2017, 2016 and 2015, respectively.

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, and no fees were collected directly by the District in fiscal years 2016 or 2017. Funding received through the Tennessee Emergency Communications Board increased to \$972,979 in fiscal year 2017 from \$880,775 in fiscal year 2016, compared with \$597,520 in fiscal year 2015.

Due to the changes in collection methods, the categories of operating revenues have changed in the past three fiscal years; however, total operating revenue has increased 10.5% in fiscal year 2017, 5.8% in fiscal year 2016 and 2.1% in fiscal year 2015.

During 2017, 2016 and 2015, the District had non-operating revenue, excluding contributions from the primary government, of \$21,251, \$11,535, and \$4,849, respectively, resulting primarily from interest income.

Operating Expenses

Operating expenses of the District increased to \$1,208,410 for fiscal year 2017 compared with \$1,192,066 for fiscal year 2016. Operating expenses increased to \$1,192,066 for fiscal year 2016 compared with \$1,140,779 for fiscal year 2015. The increases in those fiscal years were due primarily to salaries and wages.

GASB Statement No. 68

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)

Transfers to and from the City

The District received budgeted transfers from the City of \$484,700 in fiscal year 2017, and \$418,700 in each of fiscal years 2016 and 2015.

During fiscal year 2017, the District entered into an Interlocal Agreement with the City which provides for funding of equipment, programs and projects by the City and ECD that are in furtherance of ECD's purpose. The Interlocal Agreement allows either party to transfer funds to the other for purchasing equipment, employing personnel or carrying out programs or projects that will assist the ECD in fulfilling its purpose. Under the Interlocal Agreement, during fiscal year 2017, the District transferred \$750,000 to the City's Capital Projects Fund for the purchase of new computer-aided dispatch software. The City and District consulted with the State ECD Board regarding the Interlocal Agreement and transfer.

Capital Expenditures

The District added \$27,720 and \$78,825 in communications equipment in 2017 and 2016, respectively. There were no significant capital asset additions in fiscal year 2015. Depreciation of capital assets totaled \$159,418, \$169,329, and \$168,489 for 2017, 2016 and 2015, respectively.

Further information regarding capital assets can be found in Note 3 to the financial statements.

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

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,677,984	\$ 2,178,646
Receivables	2,531	-
Prepaid expense	<u>1,632</u>	<u>8,712</u>
TOTAL CURRENT ASSETS	<u>1,682,147</u>	<u>2,187,358</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	595,352	727,050
Net pension asset	<u>9,180</u>	<u>36,978</u>
TOTAL NONCURRENT ASSETS	<u>604,532</u>	<u>764,028</u>
TOTAL ASSETS	<u>2,286,679</u>	<u>2,951,386</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	<u>155,258</u>	<u>85,099</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	8,092	9,467
Accrued expenses	122,426	217,105
Net amount due to primary government	<u>3,658</u>	<u>2,650</u>
TOTAL CURRENT LIABILITIES	<u>134,176</u>	<u>229,222</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>32,510</u>	<u>52,532</u>
NET POSITION		
Investment in capital assets	595,352	727,050
Restricted	9,180	36,978
Unrestricted	<u>1,670,719</u>	<u>1,990,703</u>
TOTAL NET POSITION	<u>\$ 2,275,251</u>	<u>\$ 2,754,731</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Tennessee Emergency Communications Board - operational funding	\$ 972,979	\$ 880,775
OPERATING COSTS AND EXPENSES		
Salaries and wages	567,041	558,829
Employee benefits	249,074	218,516
Contracted services	116,000	135,264
Supplies and materials	93,270	87,956
Other charges	23,607	22,172
Depreciation	<u>159,418</u>	<u>169,329</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>1,208,410</u>	<u>1,192,066</u>
OPERATING LOSS	<u>(235,431)</u>	<u>(311,291)</u>
NONOPERATING REVENUES		
Interest income	<u>21,251</u>	<u>11,535</u>
LOSS BEFORE TRANSFERS	<u>(214,180)</u>	<u>(299,756)</u>
TRANSFERS		
Contributions from primary government - general fund	484,700	418,700
Transfer to primary government - capital projects fund	<u>(750,000)</u>	<u>-</u>
TOTAL TRANSFERS	<u>(265,300)</u>	<u>418,700</u>
CHANGE IN NET POSITION	(479,480)	118,944
NET POSITION - BEGINNING OF YEAR	<u>2,754,731</u>	<u>2,635,787</u>
NET POSITION - END OF YEAR	<u>\$ 2,275,251</u>	<u>\$ 2,754,731</u>

See accompanying notes to financial statements.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operational funding	\$ 970,448	\$ 880,775
Payments to or on behalf of employees	(973,177)	(765,953)
Payments to suppliers	<u>(226,164)</u>	<u>(243,155)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(228,893)</u>	<u>(128,333)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from primary government - general fund	<u>484,700</u>	<u>418,700</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>484,700</u>	<u>418,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(27,720)	(78,825)
Transfer to primary government - capital projects fund	<u>(750,000)</u>	<u>-</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(777,720)</u>	<u>(78,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>21,251</u>	<u>11,535</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>21,251</u>	<u>11,535</u>
NET (DECREASE) INCREASE IN CASH	(500,662)	223,077
CASH - BEGINNING OF YEAR	<u>2,178,646</u>	<u>1,955,569</u>
CASH - END OF YEAR	<u>\$ 1,677,984</u>	<u>\$ 2,178,646</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (235,431)	\$ (311,291)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	159,418	169,329
Pension expense (negative expense)	(62,383)	(73,153)
(Increases) decreases in assets and increases (decreases) in liabilities:		
Accounts receivable	(2,531)	-
Prepaid expenses	7,080	(8,712)
Accounts payable	(1,375)	(6,710)
Accrued expenses	(94,679)	102,204
Net amount due to primary government	<u>1,008</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>6,538</u>	<u>182,958</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (228,893)</u>	<u>\$ (128,333)</u>

See accompanying notes to financial statements.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Brentwood Emergency Communications District (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.

During fiscal year 2015, 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 currently delivered.

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.

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, deferred outflows of resources, liabilities and deferred inflow of resources associated with operations are included in the statement of net position. Net position is separated between investment in capital assets, restricted and unrestricted components.

The District’s net position classifications are as follows:

- Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and, when applicable, is presented “net” of outstanding balances of any debt and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets. The District had no such debt or deferred inflows of resources at June 30, 2017 or 2016.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Restricted - This component consists of net position restricted by grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation, reduced by liabilities related to those assets. The District's restricted net position relates to its net pension asset at June 30, 2017 and 2016.
- Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "investment in capital assets."

When both restricted and unrestricted assets are available, it is the District's policy to expend restricted resources prior to expending unrestricted resources.

Operating and Non-operating Revenues and Expenses

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 3 to 20 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, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Expense Recognition

On April 25, 2014, the Tennessee General Assembly passed the 911 Funding Modernization and IP Transition Act of 2014 (the "Act"). The Act, which was effective January 1, 2015, updates the model for 911 funding to account for changes in technology and consumer choice.

The resulting service fee formula for funding 911 services in Tennessee is based on a uniform statewide fee for all communication devices capable of contacting the 911 system. This 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.

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

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 2017 was \$6,723 and for 2016 was \$6,690. Both the 2017 and 2016 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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

At June 30, 2017 and 2016, the District's deferred outflows and inflows of resources relate to its participation in the City's pension plan. The District reports deferred outflows of resources relating to pension contributions made after the measurement date, and when applicable reports deferred outflows and inflows of resources relating to differences between actual and expected experience and differences between actual and projected investment earnings related to the pension plan (See Note 8).

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Recent Accounting Pronouncements

The following is a recent accounting pronouncement that management expects to have a significant impact on the District's financial statements in the upcoming period:

- The District will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement will require the District to record its proportionate share of the City's other postemployment benefit asset or liability and related OPEB expense within the District's financial statements. Management is currently evaluating the impact of this Statement on the financial statement and related disclosures (See Note 7).

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, 2017, the District's deposits were fully insured or collateralized.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 - CAPITAL ASSETS

Schedules of changes in capital assets follow for the years ended June 30, 2017 and 2016:

	2017			
	Beginning of Year	Increases	Decreases / Adjustments	End of Year
Capital assets being depreciated:				
Building improvements	\$ 320,072	\$ -	\$ -	\$ 320,072
Furniture and fixtures	81,194	-	17	81,211
Equipment	1,622,873	27,720	-	1,650,593
Total capital assets being depreciated	2,024,139	27,720	17	2,051,876
Less accumulated depreciation for:				
Building and improvements	(112,724)	(23,132)	-	(135,856)
Furniture and fixtures	(53,478)	(10,782)	-	(64,260)
Equipment	(1,130,887)	(125,504)	(17)	(1,256,408)
Total accumulated depreciation	(1,297,089)	(159,418)	(17)	(1,456,524)
Capital assets, net	\$ 727,050	\$ (131,698)	\$ -	\$ 595,352

	2016			
	Beginning of Year	Increases	Decreases / Adjustments	End of Year
Capital assets being depreciated:				
Building improvements	\$ 320,072	\$ -	\$ -	\$ 320,072
Furniture and fixtures	81,194	-	-	81,194
Equipment	1,544,048	78,825	-	1,622,873
Total capital assets being depreciated	1,945,314	78,825	-	2,024,139
Less accumulated depreciation for:				
Building and improvements	(88,468)	(24,256)	-	(112,724)
Furniture and fixtures	(42,695)	(10,783)	-	(53,478)
Equipment	(996,597)	(134,290)	-	(1,130,887)
Total accumulated depreciation	(1,127,760)	(169,329)	-	(1,297,089)
Capital assets, net	\$ 817,554	\$ (90,504)	\$ -	\$ 727,050

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 provision for income taxes has 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 Management Pool (the "TML 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 \$76,500 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 2016, the aggregate stop loss threshold is approximately \$3.12 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, 2017 AND 2016

NOTE 6 - BUDGETS

Prior to May 15 of each year, the Director submits 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 of Commissioners on a monthly basis.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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.

Plan and Employer Reporting

The City issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes the financial statements and certain required supplementary information of the OPEB Plan. That report may be obtained by writing to the City of Brentwood, Attn: Finance Director, P.O. Box 788, Brentwood, Tennessee 37024-0788, email: financedirector@brentwoodtn.org.

The City has adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* for the OPEB Plan within the City's CAFR. The City and District will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018, as further described in Note 1. All information presented in this note is at the City level, as recorded within the City's financial statements.

Membership in the plan consisted of the following (District employees are included in general government) at January 1, 2017, the date of the latest actuarial evaluation:

Active employees	252
Retired employees	<u>24</u>
Total	<u>276</u>

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - Continued

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, and were hired prior to July 1, 2005, the City reimburses the cost of a Medicare supplement plan for the retiree. For those eligible retirees who have reached age 65, were hired prior to July 1, 2005 and retired after July 1, 2002, the City's reimbursement of the cost of a Medicare supplement plan is limited 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.

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. The prefunding will reduce the annual required contribution in future years. For fiscal year 2017, the City contributed \$740,388 to the Trust and withdrew \$494,941 to pay benefits. For fiscal year 2016, the City contributed \$707,480 to the Trust and withdrew \$262,706 to pay benefits. All contributions were made by the employer (no contributions by active or retired employees). Employer contributions are calculated at 5.57% and 5.66% of covered payroll for 2017 and 2016, respectively.

Annual OPEB Cost and Net OPEB Obligation (Asset)

Through June 30, 2017, the City's annual other postemployment benefits 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 No. 45 (See information regarding the City's implementation of GASB Statement No. 75 in Note 1). 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, 2017 and 2016:

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - Continued

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 750,750	\$ 721,487
Interest on net OPEB obligation	(118,063)	(118,063)
Adjustment to annual required contribution	<u>107,701</u>	<u>104,056</u>
Annual OPEB cost (expense)	740,388	707,480
Contributions made	<u>(740,388)</u>	<u>(707,480)</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 \$24,875 for each of the years ended June 30, 2017 and 2016. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u> <u>(Assets)</u>
2017	\$740,388	100.0%	\$(1,749,078)
2016	707,480	100.0%	(1,749,078)
2015	599,580	100.0%	(1,749,078)

Funded Status and Funding Progress

As of January 1, 2016, the actuarial valuation date for fiscal year 2017, the plan was 63.4% funded. The actuarial accrued liability for benefits was \$13,858,820 and the actuarial value of assets was \$8,781,184, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,077,636. The covered payroll (annual payroll of active employees covered by the plan) was \$13,248,356, and the ratio of the UAAL to the covered payroll was 38.3%.

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.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - Continued

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 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 an closed basis. The remaining amortization period at June 30, 2017 was twenty years.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

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.

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.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

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.

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 eligible 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, 2017, employer contributions for the District were \$90,290 based on a rate of 16.00% of covered payroll. The contractual required contribution rate for 2017 was 14.08% of covered payroll; the District elected to contribute at the higher rate. For the year ended June 30, 2016, employer contributions for the District were \$85,099 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, 2017 and 2016, the District reported an asset of \$9,180 and \$36,978, respectively, for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate net pension asset was determined by an actuarial valuation as of those dates. 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 the June 30, 2016 and 2015 measurement dates, the District's portion was 3.71% and 3.36%, respectively.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Actuarial assumptions

The total pension liability 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, 2016 and 2015 actuarial valuations 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.

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%	<u>1%</u>
		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.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Discount rate

The discount rate used to measure the total pension liability 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.

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability (asset)	\$268,269	\$(9,180)	\$(238,933)

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

Pension expense

For the years ended June 30, 2017 and 2016, the District's proportionate share of pension expense was \$29,416 and \$11,407, respectively.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Deferred outflows of resources and deferred inflows of resources

As of June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$(32,510)
Net difference between projected and actual earnings on pension plan investments	64,968	-
Contributions subsequent to the measurement date of June 30, 2016	<u>90,290</u>	<u>-</u>
Total	<u>\$155,258</u>	<u>\$(32,510)</u>

2016:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$(35,820)
Net difference between projected and actual earnings on pension plan investments	-	(16,712)
Contributions subsequent to the measurement date of June 30, 2015	<u>85,099</u>	<u>-</u>
Total	<u>\$85,099</u>	<u>\$(52,532)</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (increase to the net pension asset) in the next fiscal year. As of June 30, 2017, the other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

2018	\$(3,308)
2019	(3,308)
2020	23,118
2021	16,778
2022	(822)

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN - Continued

Payable to the Pension Plan

At June 30, 2017 and 2016, the District had a payable relating to contributions to the Plan required for the years ended June 30, 2017 and 2016, totaling \$9,944 and \$85,099, respectively. During 2016, TCRS instructed the City and District that a separate District account would be established within the Public Retiree Pension Plan. The separate account was not established until fiscal 2017; and therefore, TCRS instructed the City to hold fiscal year 2016 contributions and remit them to the new account in fiscal year 2017. The amounts due to TCRS are included within accrued expenses in the accompanying statements of net position.

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 years ended June 30, 2017 and 2016 totaled \$6,550 and \$5,753, respectively.

NOTE 10 - TRANSFERS WITH THE CITY

District received budgeted transfers from the City's general fund of \$484,700 in fiscal year 2017, and \$418,700 in each of fiscal years 2016 and 2015.

During fiscal year 2017, the District entered into an Interlocal Agreement with the City which provides for funding of equipment, programs and projects by the City and ECD that are in furtherance of ECD's purpose. The Interlocal Agreement, allows either party to transfer funds to the other for purchasing equipment, employing personnel or carrying out programs or projects that will assist the ECD in fulfilling its purpose. Under the Interlocal Agreement, during fiscal year 2017, the District transferred \$750,000 to the City's Capital Projects Fund for the purchase of new computer-aided dispatch software.

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 POSTEMPLOYMENT BENEFITS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(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>
07/01/14	\$ 6,699,395	\$ 10,410,304	\$ 3,710,909	64.4%	\$ 13,179,154	28.2%
07/01/15	7,675,196	12,801,342	5,126,146	60.0%	12,738,804	40.2%
07/01/16	8,781,184	13,858,820	5,077,636	63.4%	13,248,356	38.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Employer Contributions</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 599,580	100.0 %
2016	707,480	100.0
2017	740,388	100.0

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
JUNE 30, 2017
(Unaudited)

	2016 (Measurement Date)	2015 (Measurement Date)	2014 (Measurement Date)
District's proportion of the net pension asset	3.71%	3.36%	3.52%
District's proportionate share of the net pension asset	\$ 9,180	\$ 36,978	\$ 59,500
District's covered payroll	\$ 554,391	\$ 522,286	\$ 520,424
District's proportionate share of the net pension asset as a percentage of its covered payroll	1.66%	7.08%	11.43%
Plan fiduciary net position as a percentage of the total pension asset	100.48%	102.29%	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, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 79,454	\$ 85,099	\$ 80,171	\$ 79,900
Contributions in relation to the contractually required contribution	<u>(90,290)</u>	<u>(85,099)</u>	<u>(80,171)</u>	<u>(79,900)</u>
Contribution deficiency (excess)	<u>\$ (10,836)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 564,306	\$ 554,391	\$ 522,286	\$ 520,424
Contributions as a percentage of covered payroll	16.00%	15.35%	15.35%	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, 2017

	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER)
	ORIGINAL	FINAL		
OPERATING REVENUES				
Subscriber fees:				
TECB - operational funding, base amount	\$ 864,125	\$ 864,125	\$ 864,125	\$ -
TECB - operational funding, excess amount	125	125	108,854	108,729
TOTAL OPERATING REVENUES	864,250	864,250	972,979	108,729
OPERATING COSTS AND EXPENSES				
Salaries and wages:				
Salaries - dispatchers	535,685	526,870	496,815	(30,055)
Salaries - overtime pay	46,775	55,045	55,045	-
Shift differential	11,100	11,100	10,981	(119)
Longevity	4,200	4,200	4,200	-
Employee benefits:				
Social security	46,320	52,335	52,331	(4)
Life insurance	2,070	2,070	2,070	-
Medical insurance	111,805	111,805	111,805	-
Dental insurance	2,000	2,110	2,108	(2)
Retirement	96,210	96,210	46,404	(49,806)
Other post-employment benefits	24,875	24,875	24,875	-
Supplemental retirement	8,000	8,000	6,550	(1,450)
Sick leave buy-backs	2,000	2,435	2,431	(4)
Attendance bonus	1,000	1,000	500	(500)
Annual leave buy-backs	1,000	1,000	-	(1,000)
Contracted services:				
Audit services	8,100	8,100	8,100	-
Mapping/database expenses	10,000	10,000	10,000	-
Lease/rental - building and facilities	31,800	31,800	31,800	-
Lease/rental - office equipment	2,500	2,500	2,240	(260)
Maintenance and repairs - communications equipment	114,200	102,275	63,730	(38,545)
Other contracted services	7,500	1,485	130	(1,355)
Supplies and materials:				
Office supplies	2,000	3,235	3,231	(4)
Uniforms and shirts	5,500	6,360	6,357	(3)
Utilities - general telephone	75,000	80,685	80,681	(4)
Other supplies and materials	2,000	3,005	3,001	(4)
Other charges:				
Dues and memberships	6,000	6,000	3,431	(2,569)
Insurance - workers' compensation	3,145	3,145	3,145	-
Insurance - liability	2,600	2,600	1,957	(643)
Premiums on surety bonds	1,700	1,700	-	(1,700)
Travel expenses	5,000	8,140	8,136	(4)
Other charges - miscellaneous	9,740	9,740	6,938	(2,802)
TOTAL OPERATING COSTS AND EXPENSES	1,179,825	1,179,825	1,048,992	(130,833)
Depreciation	172,500	172,500	159,418	(13,082)
TOTAL EXPENSES	1,352,325	1,352,325	1,208,410	(143,915)
NONOPERATING REVENUES AND TRANSFERS				
Interest income	4,000	4,000	21,251	17,251
Contributions from primary government - general fund	484,700	484,700	484,700	-
Transfer to primary government - capital projects fund	-	-	(750,000)	(750,000)
TOTAL NONOPERATING REVENUES AND TRANSFERS	488,700	488,700	(244,049)	(732,749)
CHANGE IN NET POSITION	\$ 625	\$ 625	\$ (479,480)	\$ (480,105)

See independent auditor's report.

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DETAILED EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING COSTS AND EXPENSES		
Salaries and wages:		
Salaries - dispatchers	\$ 496,815	\$ 493,848
Salaries - overtime pay	55,045	50,924
Shift differential	10,981	9,957
Longevity	<u>4,200</u>	<u>4,100</u>
	<u>567,041</u>	<u>558,829</u>
Employee benefits:		
Social security	52,331	48,833
Life insurance	2,070	1,965
Medical insurance	111,805	102,935
Dental insurance	2,108	2,623
Retirement	46,404	29,569
Other post-employment benefits	24,875	24,876
Supplemental retirement	6,550	5,753
Sick leave buy-backs	2,431	1,812
Attendance bonus	<u>500</u>	<u>150</u>
	<u>249,074</u>	<u>218,516</u>
Contracted services:		
Audit services	8,100	7,900
Mapping/database expenses	10,000	10,000
Lease/rental - building and facilities	31,800	31,800
Lease/rental - office equipment	2,240	2,240
Maintenance and repairs - communications equipment	63,730	82,393
Other contracted services	<u>130</u>	<u>931</u>
	<u>116,000</u>	<u>135,264</u>
Supplies and materials:		
Office supplies	3,231	988
Uniforms and shirts	6,357	4,376
Utilities - general telephone	80,681	80,280
Other supplies and materials	<u>3,001</u>	<u>2,312</u>
	<u>93,270</u>	<u>87,956</u>
Other charges:		
Dues and memberships	3,431	5,449
Insurance - workers' compensation	3,145	3,144
Insurance - liability	1,957	2,112
Travel expenses	8,136	3,965
Other charges - miscellaneous	<u>6,938</u>	<u>7,502</u>
	<u>23,607</u>	<u>22,172</u>
Depreciation	<u>159,418</u>	<u>169,329</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>\$ 1,208,410</u>	<u>\$ 1,192,066</u>

See independent auditor's report.

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, 2017, 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 18, 2017.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 operations 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, PLLC

Nashville, Tennessee
December 18, 2017

BRENTWOOD EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Brentwood Emergency Communications District did not have any audit findings for the year ended June 30, 2016.