

# Division of Local Government Finance “LGF”

Adam Tschida, Technical Manager

TENNESSEE COMPTROLLER OF THE TREASURY



# Agenda

- Budget basics
- Financial health metrics
  - As found in debt manual and adopted by State Funding Board
- Materials for a complete budget submission
- Common submission mistakes
- Note about beginning cash and beginning fund balances
- Tools and Guidance

# Budget Basics

- Based on realistic, educated estimates or forecasts
- Exists as a living, breathing document
- Able to be amended or adjusted throughout the fiscal year
- Should be submitted on time
- Lateness from waiting on concrete revenue amounts not necessary

# Financial Health Metrics

- Cash as a Percentage of Expenditures
  - How well can the entity pay cash flow and unexpected spending?
  - No Concern: Above 15%, Mild Concern: 8% to 15%, Distress Concern: Below 8%
- Current Liabilities as a Percentage of Cash
  - Has the entity been paying their bills?
  - No Concern: Below 25%, Mild Concern: 25% to 75%, Distress Concern: Above 75%

# Financial Health Metrics

- Debt as a Percentage of Assessed Value
  - How burdensome is an entity's debt load?
  - No Concern: Below 8%, Mild Concern: 8% to 10%, Distress Concern: Above 10%
- Change in Fund Balance as A Percentage of Expenditures
  - Did an entity overspend last year?
  - No Concern: Positive Value, Mild Concern: 0% to -2%, Distress Concern: Below -2%



# Change in Fund Balance / Expenditures

- Negative value not necessarily a red flag
- One should consider operating and non operating items
- Best viewed in concert with other distress metrics
- Persistent negative changes can drain an entity's cash

# Example County

## COUNTY 2021

### General



Select County  
COUNTY

Select Fund  
General

Select Fiscal Year  
2021

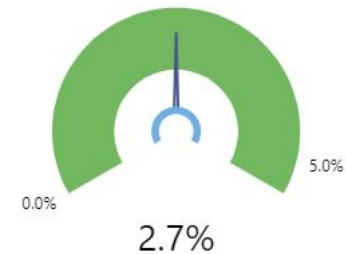
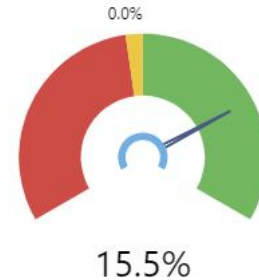
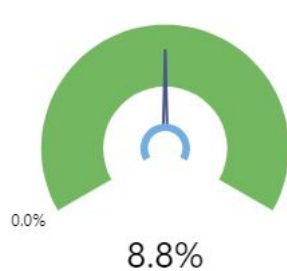
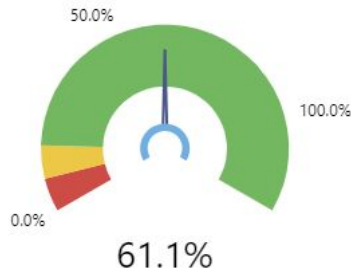
**\$17,557,434**  
Cash

**\$54.2M**  
Total Governmental Debt

**\$4,454,894**  
Change in Fund Balance



Expenses Covered by Cash      Liabilities to Cash      Change in Fund Balance Margin      Debt to Assessed Value



# Example County

## COUNTY 2019

### General



Select County  
 COUNTY

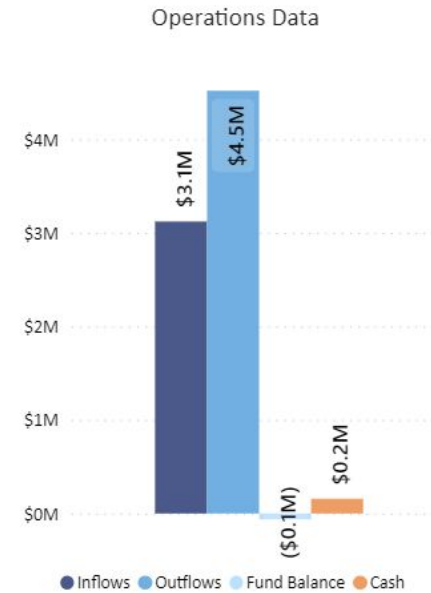
Select Fund  
 General

Select Fiscal Year  
 2019

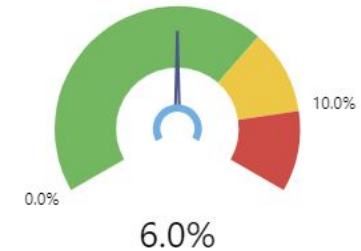
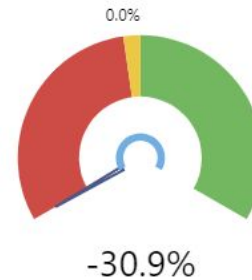
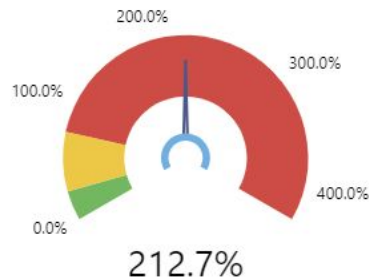
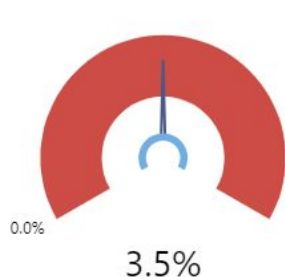
**\$157,476**  
Cash

**\$8.6M**  
Total Governmental Debt

**(\$1,397,485)**  
Change in Fund Balance



Expenses Covered by Cash      Liabilities to Cash      Change in Fund Balance Margin      Debt to Assessed Value





# Submission Requirements

- Cover letter on letterhead with contact information
- Signed, certified, and dated copy of appropriation act and taxy levy
- Detailed budgets for all funds (operating, enterprise, and school)
- Budget for component units
  - Any entity resulting in either a financial benefit or financial burden to the local government

# Submission Requirements

- Budget summary schedule
- Cash flow forecasts (if applicable)
  - Qualifications listed in budget manual
- Schedule of outstanding debt
- Revenue forecasts for property and sales tax

# Common Submission Mistakes

- Ordinance not signed or dated
- Revenue forecasts omitted
- Detailed budgets not included
- Budget for component unit missing
- Budgeting spending may not agree with appropriations
- Beginning cash or beginning fund balance amounts not listed

# Beginning Cash

Cash in Banks	\$121,486
Certificates of Deposit	165,163
<b>Cash and Cash Equivalents</b>	<b>\$286,649</b>

Major Funds	
General Fund	Solid Waste

## Assets

Unrestricted assets		
Cash in banks	\$ 121,486	\$ 52,156
Certificates of deposit	165,163	-
Restricted assets - grant funds	44,597	-
Property taxes receivable, net	147,802	-
Other taxes receivable	17,783	-
Due from other funds	69,561	-
<b>Total assets</b>	<b>\$ 566,392</b>	<b>\$ 52,156</b>

## Liabilities and Fund Balances

Liabilities		
Accrued and withheld payroll items	\$ (325)	\$ -
Due to other funds	-	-
Unearned grant revenue	44,597	-
Total liabilities	44,272	-
Deferred Inflows of Resources		
Unavailable property tax revenue	140,909	-
Fund Balances		
Restricted		
State Street Aid	-	-
Drug	-	-
Solid Waste	-	52,156
Assigned to next year's budget	61,798	-
Unassigned	319,413	-
Total fund balances	<b>381,211</b>	<b>52,156</b>
<b>Total liabilities and fund balances</b>	<b>\$ 566,392</b>	<b>\$ 52,156</b>



# Beginning Fund

Assets	\$566,392
Less: Liabilities	44,272
Assets – Liabilities =	522,120
Less: Deferred Inflows	140,909
Assets – Liabil – Defer Inflow =	381,211
<b>Fund Balance</b>	<b>\$381,211</b>

## Assets

	General Fund	Solid Waste
Unrestricted assets		
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## Liabilities and Fund Balances

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## Major Funds

General Fund	Solid Waste
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# Estimator Tool

- Cash flow
- Property and sales tax
- State shared revenue
- Fee estimate
- Other revenue estimate

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# Helpful Videos

- Revenue estimating
- Budget summary schedule
- Cash flow estimating
- Cash flow forecast schedule
- Municipal budget ordinance
- Cover letter

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# More Website Literature

- Steps to a well managed budget
- Budget Manual
- Budget Schedules
  - Budget summary
  - Outstanding debt
- Sample budget submission

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# Website Links

- Budget Guidance

**[tncot.cc/budget](https://tncot.cc/budget)**

- Budget Certificates

**[tncot.cc/budgetcertificates](https://tncot.cc/budgetcertificates)**

- Budget Manual

**[tncot.cc/budget-manual](https://tncot.cc/budget-manual)**

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# Contact by Region



## Division of Local Government Finance

### CONTACT INFORMATION BY REGION

#### REGION 5

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Please send submissions and requests to:

**LGF@cot.tn.gov**  
**615.401.7829**

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