Agenda

• Brief Overview of LGF
• Introduction to Seven Keys
• Financial Health Metrics
Areas of Statutorily Required Oversight of Tennessee’s Local Governments

Local Government Finance

- Budgets
- Utility Management Review Boards
- Financial Condition
- Corrective Action Plans
- Investments Feasibility Plans
- Debt

Counties
Municipalities
Metropolitan Governments
Utility Districts
Water & Wastewater Authorities
Industrial Development Boards
Other

TENNESSEE COMPTROLLER OF THE TREASURY
Seven Keys To A Fiscally Well-Managed Government

Building A Strong Budget For A Resilient Government

Structurally Balanced Budget

A budget is structurally balanced when recurring revenues are sufficient to pay recurring expenses. Recurring revenues can be related to every year’s property taxes, sales taxes, wheel taxes. Recurring expenses are those required for normal governmental operations (like payroll, salaries, pension payments). A budget can also include non-recurring expenses, such as one-time property assessments, or other extraordinary expenses. A structurally balanced budget results in a budget that can pay for its ongoing expenses without relying on one-time or extraordinary revenue sources.

Tnccot.cc/7keys
Seven Keys To A Fiscally Well-Managed Government

Building a Strong Budget For A Resilient Government
• Structurally Balanced Budget
• Cash Flow Management
• Forecasting Budgetary Amounts

Planning For Unknowns
• Rainy Day Reserves
• Contingency Spending Plans

Planning For Tomorrow
• Long-Term Liability Planning
• Multi-Year Financial Planning
Financial Metrics

<table>
<thead>
<tr>
<th>Financial Distress Metrics</th>
<th>Description</th>
<th>No Concern</th>
<th>Mild Concern</th>
<th>Distress Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash as a Percent of Expenditures</td>
<td>How much cash do I have to pay cash flow and unexpected spending?</td>
<td>Above 15%</td>
<td>Less than 15% to 8%</td>
<td>Less than 8%</td>
</tr>
<tr>
<td>Current Liabilities as a Percent of Cash</td>
<td>Have I been paying my bills?</td>
<td>Less than 25%</td>
<td>From 25% to 75%</td>
<td>Greater than 75%</td>
</tr>
<tr>
<td>Debt as a Percent of Assessed Value</td>
<td>How burdensome is my debt load?</td>
<td>Less than 8%</td>
<td>8% to 10%</td>
<td>Greater than 10%</td>
</tr>
<tr>
<td>Change in Fund Balance as a Percent of Expenditures</td>
<td>How much did we overspend last year if cash balance is also an issue?</td>
<td>Positive value</td>
<td>0% to negative 2%</td>
<td>More than negative 2%</td>
</tr>
</tbody>
</table>
Financial Data

Sample County 2021

General

$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

TENNESSEE COMPTROLLER OF THE TREASURY
Financial Data

Sample County 2019

General

$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

3.5% | 212.7% | -30.9% | 6.0%

TENNESSEE COMPTROLLER OF THE TREASURY
Financial Data

Sample County

General

Cash / Expense
61%
Most Recent Audit
44%
Prior Audit
Financial Data

Sample County

General

Debt / Assessed
3%
Most Recent Audit
3%
Prior Audit
Financial Data

Sample County
General

TENNESSEE COMPTROLLER OF THE TREASURY
Financial Data

2021

General
County Financial Data
Division of Local Government Finance
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