Division of Local Government Finance "LGF"

Steve Osborne and Nate Fontenot

Tennessee Comptroller of the Treasury

Agenda

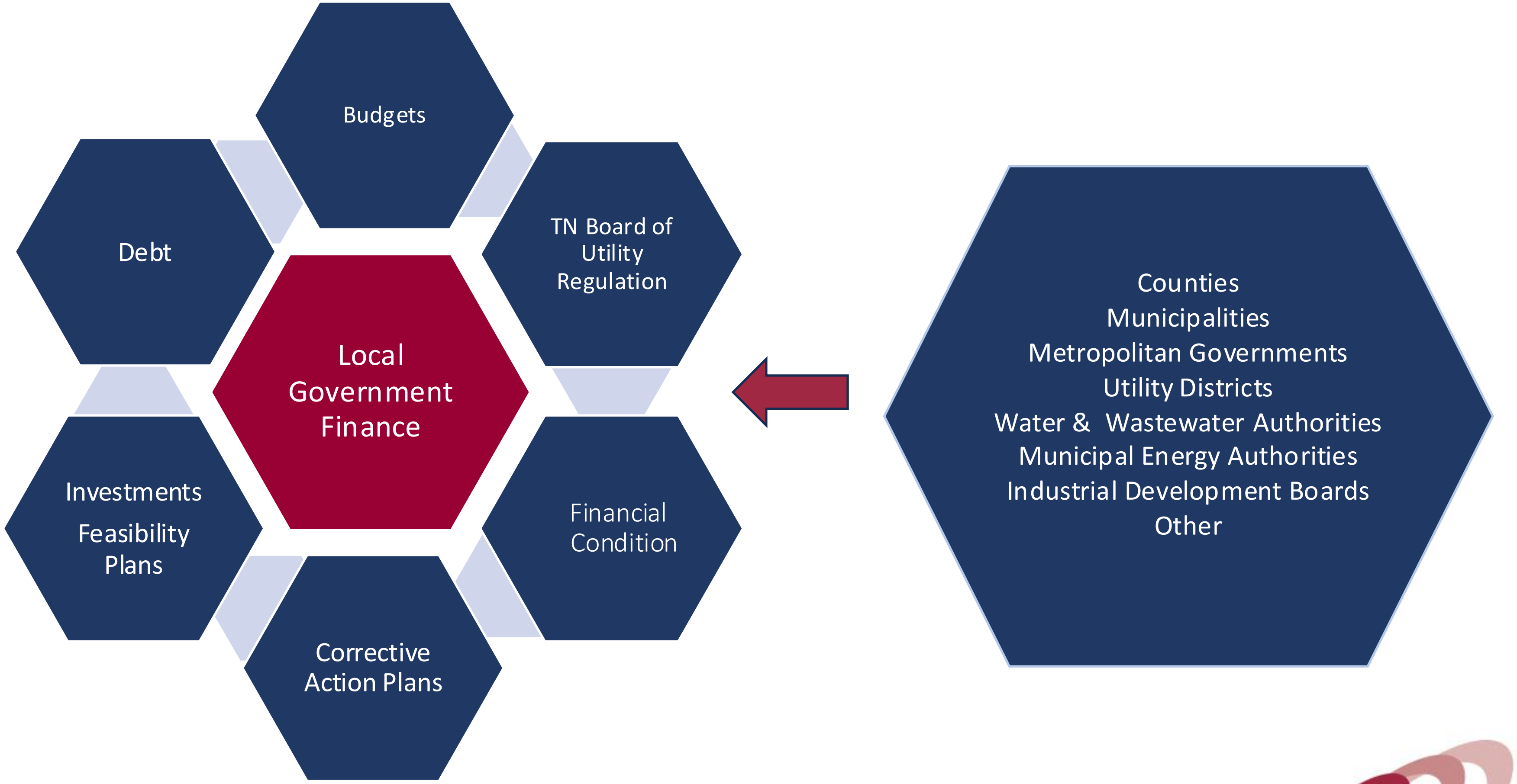
- Brief Overview of LGF
  - Budget – Education
  - Utilities and the County
- Financial Health Metrics
- Introduction to Seven Keys

TENNESSEE COMPTROLLER OF THE TREASURY

Jason E. Mumpower, Comptroller of the Treasury

Tennessee Comptroller of the Treasury

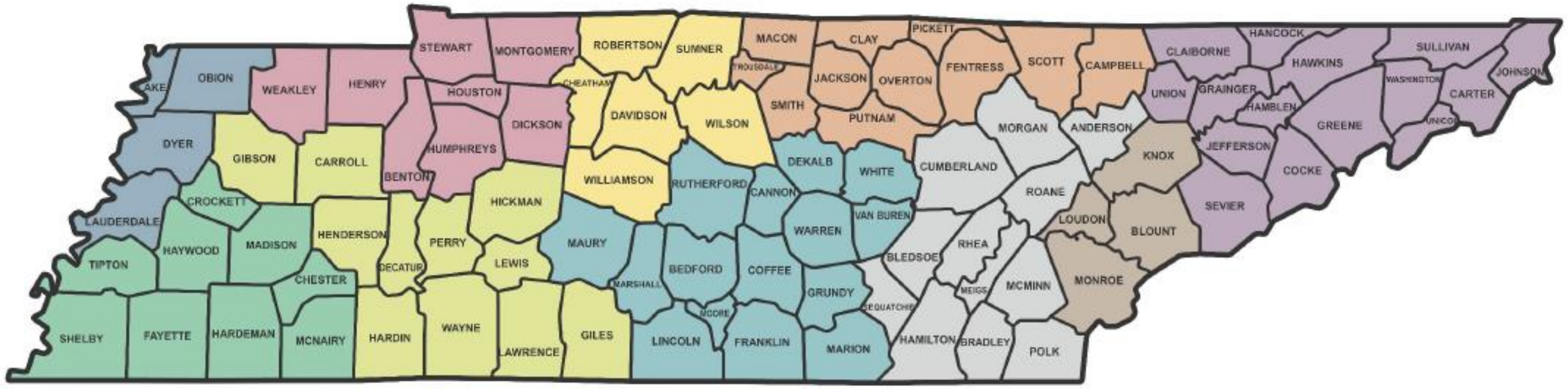
Areas of Oversight and Support to Tennessee's Local Governments



Tennessee Comptroller of the Treasury

Financial Health

Division of Local Government Finance Contact Information by Region



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Education Budgets

The most cited budget letter issues:

- Structurally Balanced Budget
- Extreme Use of Fund Balance
- Cash Management—Low Cash
- Cash Overdraft in SFPF

Utilities

Very few counties run utilities; however, counties:

- Appoint utility district board members
- Should be aware of the health of the utilities in their county
- Should be an advocate for consolidation of utilities when it makes sense.

Financial Metrics

For Governmental Operating Funds				
(General Fund, General Purpose School Fund, and Other Funds with Recurring Payroll Expenditures)				
Financial Health Metric	Description	No Concern	Concern	Distress Concern
Cash as a Percent of Expenditures	Do we have enough cash reserves to manage cash flow and fund unexpected spending?	Greater than 15%	15% to 8%	Less than 8%
Cash divided by Current Liabilities (Cash Ratio)	Do we have the ability to pay short-term obligations?	Greater than 1.2x	0.7x to 1.2x	Less than 0.7x
Change in Fund Balance as a Percent of Expenditures	How much did we overspend last year? (A concern exists when cash reserves are low.)	Positive	Decrease of 0% to 2%	Decrease greater than 2%
For General Governmental Debt				
For Counties, Metros, and Municipalities with a Property Tax - General Governmental Debt as a Percent of Assessed Value*	How burdensome is our debt load?	Less than 8%	8% to 10%	Greater than 10%
For Municipalities without a Property Tax - General Governmental Debt per households as a Percent of Median Household Income	How burdensome is our debt load?	Less than 8%	8% to 10%	Greater than 10%

TENNESSEE COMPTROLLER OF THE TREASURY

County Financial Data

Metrics For General Fund	2020	2021	2022	2023	2024	2025
Cash Balance Below 15% Expenditures	6	2	0	0	0	0
Cash Balance Below 8% Expenditures	5	0	4	3	1	1
Not Enough Cash to Pay all Current Liabilities	2	0	1	0	0	0
Use of Fund Balance	19	4	14	23	20	24
Debt to Assessed Value Over 10%	4	1	1	0	1	2

Financial Data

Select County
Sample County

Select Fund
General

Select Fiscal Year
2025

Sample County

General

2025

Margin Metric

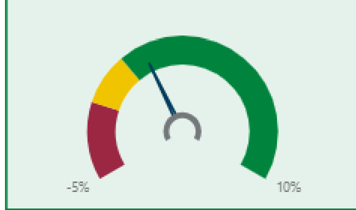
0.9%

Total Inflows
$45.77M

Total Outflows
$45.37M

Sum of Change in Fund Balance
$395.58K

Sum of Expenditures
$45.24M



Target: Positive Trend

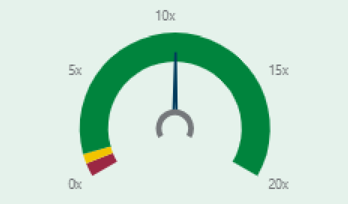
Chng Fund Bal / Expenditures

Cash / Liability Ratio

10.0x

Cash
$21.97M

Liabilities
$2.19M



Target: Greater than 1.2x

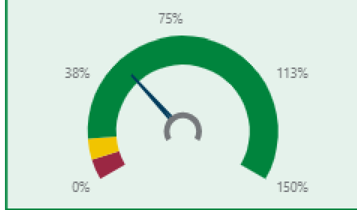
Cash / Current Liabilities

Cash / Exp Metric

48.6%

Cash
$21.97M

Sum of Expenditures
$45.24M



Target: Greater than 16%

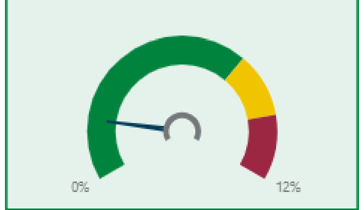
Cash / Expenditures

Debt Metric

1.9%

Governmental Debt
$38.13M

Assessed Value
$2.03bn



Target: Less than 8%

Debt / Assessed Value

Financial Data

Select County
Sample County
Select Fund
General
Select Fiscal Year
2019

Sample County

General

2019

Margin Metric

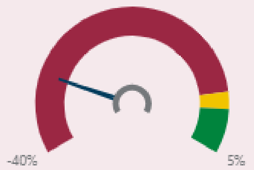
-30.9%

Total Inflows
$3.12M

Total Outflows
$4.52M

Sum of Change in Fund Balance
($1.40M)

Sum of Expenditures
$4.52M



Target: Positive Trend

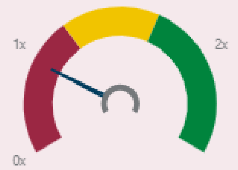
Chng Fund Bal / Expenditures

Cash / Liability Ratio

0.5x

Cash
$157.48K

Liabilities
$334.98K



Target: Greater than 1.2x

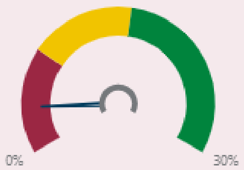
Cash / Current Liabilities

Cash / Exp Metric

3.5%

Cash
$157.48K

Sum of Expenditures
$4.52M



Target: Greater than 16%

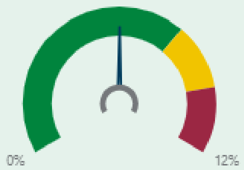
Cash / Expenditures

Debt Metric

6.0%

Governmental Debt
$8.56M

Assessed Value
$142.36M



Target: Less than 8%

Debt / Assessed Value

TENNESSEE COMPTROLLER OF THE TREASURY

Financial Data

Select County
Sample County

Select Fund
General

Select Fiscal Year
2025

Sample County

General

2025

Margin Metric

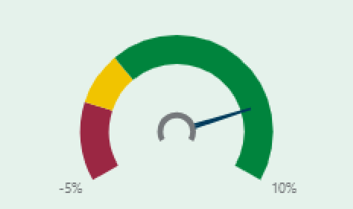
7.1%

Total Inflows
$5.13M

Total Outflows
$4.80M

Sum of Change in Fund Balance
$335.06K

Sum of Expenditures
$4.75M



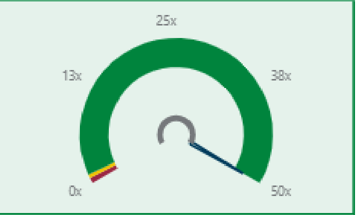
Target: Positive Trend
Chng Fund Bal / Expenditures

Cash / Liability Ratio

56.5x

Cash
$3.33M

Liabilities
$59.01K



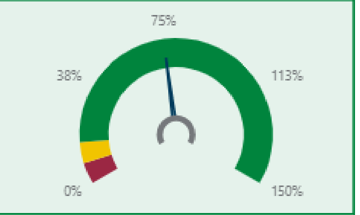
Target: Greater than 1.2x
Cash / Current Liabilities

Cash / Exp Metric

70.2%

Cash
$3.33M

Sum of Expenditures
$4.75M



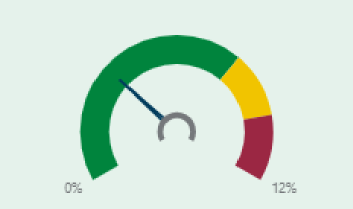
Target: Greater than 16%
Cash / Expenditures

Debt Metric

3.6%

Governmental Debt
$6.64M

Assessed Value
$184.04M



Target: Less than 8%
Debt / Assessed Value

Financial Data

Select County

Sample County

Select Fund

General

Sample County

General

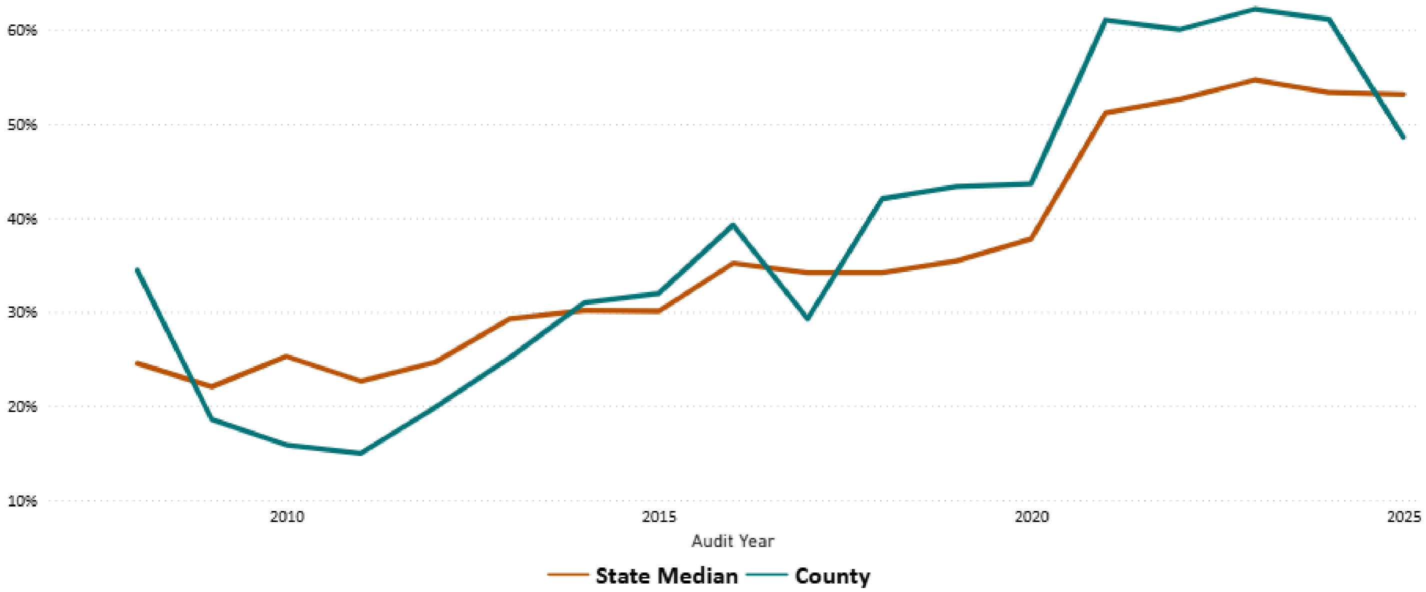
Cash / Expense

Above 16%
Target

8 to 16%
Slight Concern

Below 8%
Concern

Cash / Expense
Debt / Assessed
Liabilities / Cash
Margin



Financial Data

Select County

Sample County

Select Fund

General

Sample County

General

Debt / Assessed

3%

Most Recent Audit

3%

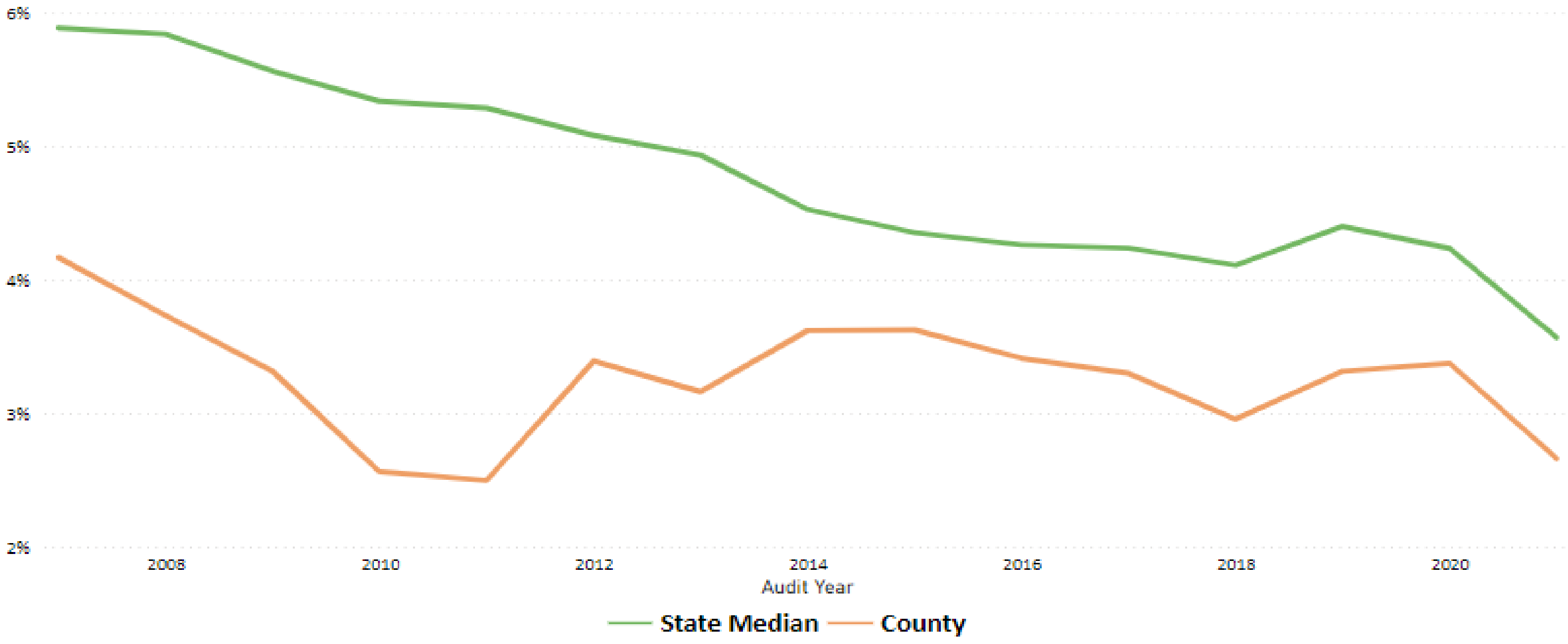
Prior Audit

Cash / Expense

Debt / Assessed

Liabilities / Cash

Margin



Financial Data

Select County

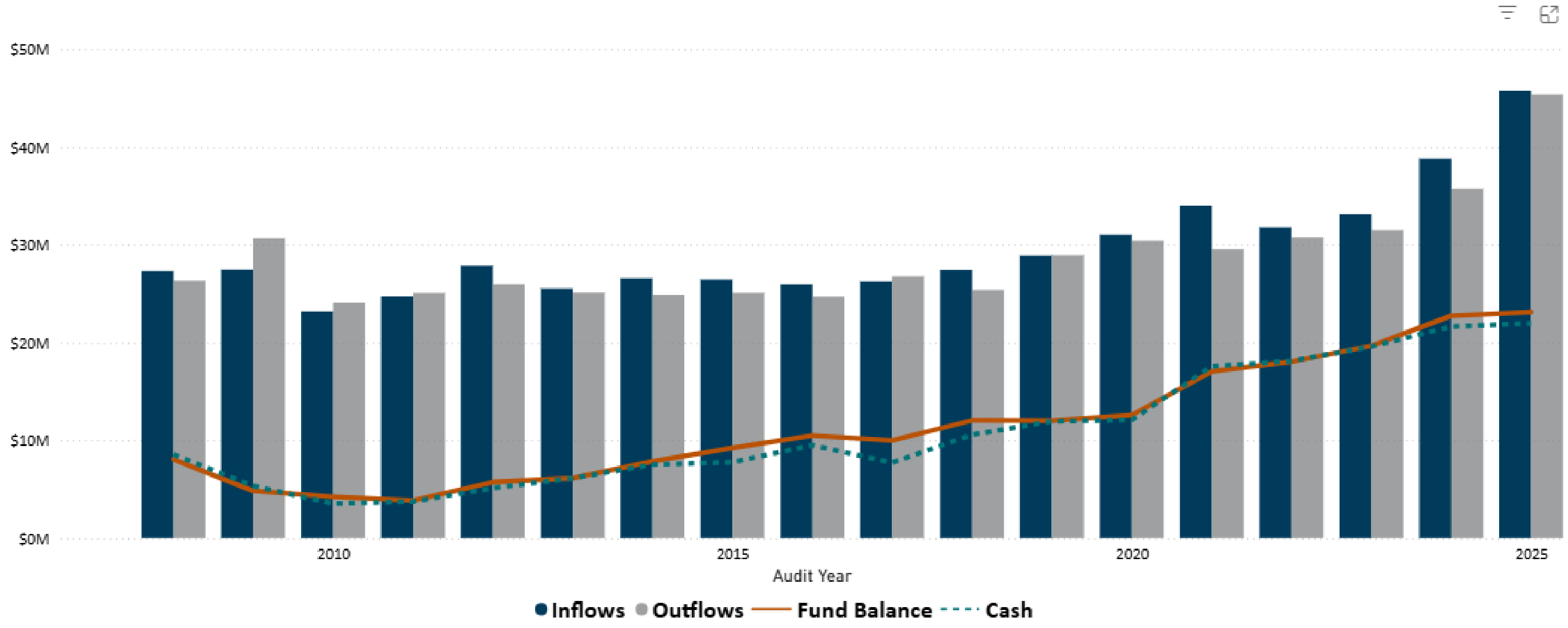
Sample County

Select Fund

General

Sample County

General



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Sample County

Fiscal Year: 2025

Contacts: tncot.cc/lgf-contacts | Email: LGF@cot.tn.gov

Cash Relative to General Fund Expenditures Metric | FY 2025

Cash on Hand
$21,966,065

Annual Expenditures
$45,238,551

Using only cash,
the County could fund
177
days of average expenditures before exhausting cash reserves

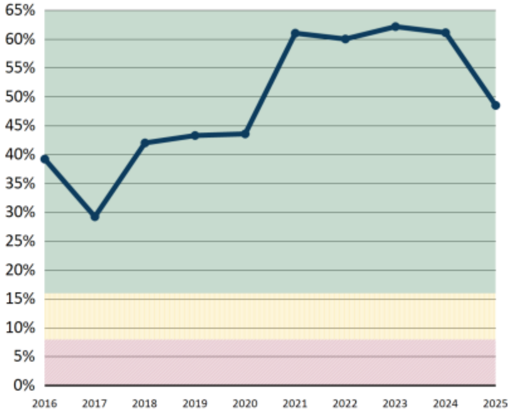
49%
of Annual Expenditures can be paid with available cash

No Concern

Target: Above 16%

Average: 52%

Cash to Expenditures Trend



As a best practice to reduce financial risk, cash reserves sufficient to cover at least two months, or 60 days, of average expenditures without using additional financial resources should be maintained.

Debt Relative to Assessed Value Metric | FY 2025

General Government Debt
$38,130,000

Assessed Value
The estimated property tax base, or portion of appraised values within the County, subject to property taxation
$2,034,838,362

2%
ratio of outstanding debt relative to assessed value

No Concern

Target: Below 8%

Average: 2%

As a best practice to maintain financial flexibility, debt limits or acceptable ranges should be set. One recommendation is keeping total governmental debt below 8% of assessed value.

Comptroller Budget Review | FY 2025

Budget Status
Standard Approval

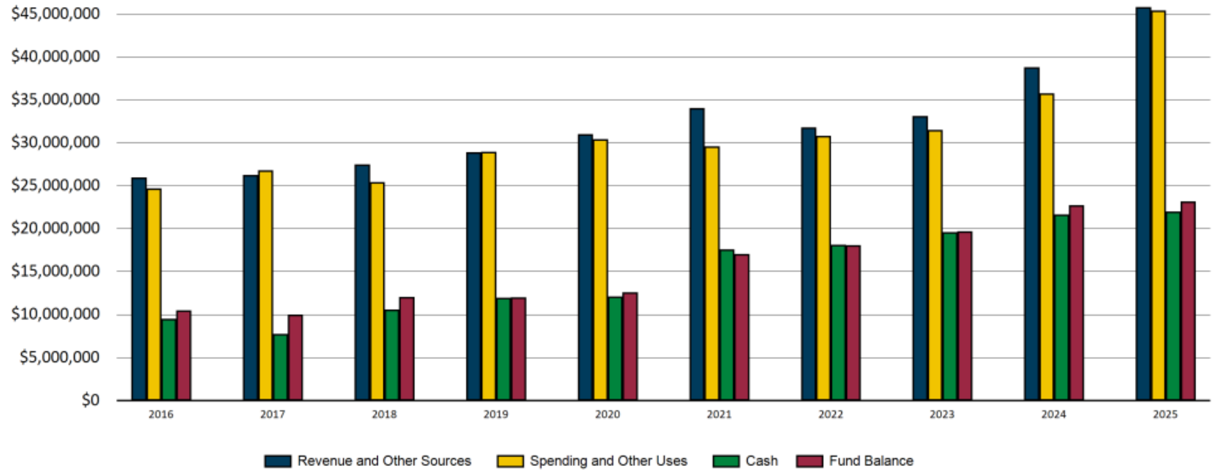
Budget Certificate
Yes

To qualify for a budget certificate, an entity must:

Adopt a budget on or before fiscal year end
File budget with COT Local Government Finance within 15 days of adoption
Have no issues during budget review
Not be under oversight of Tennessee Board of Utility Regulation

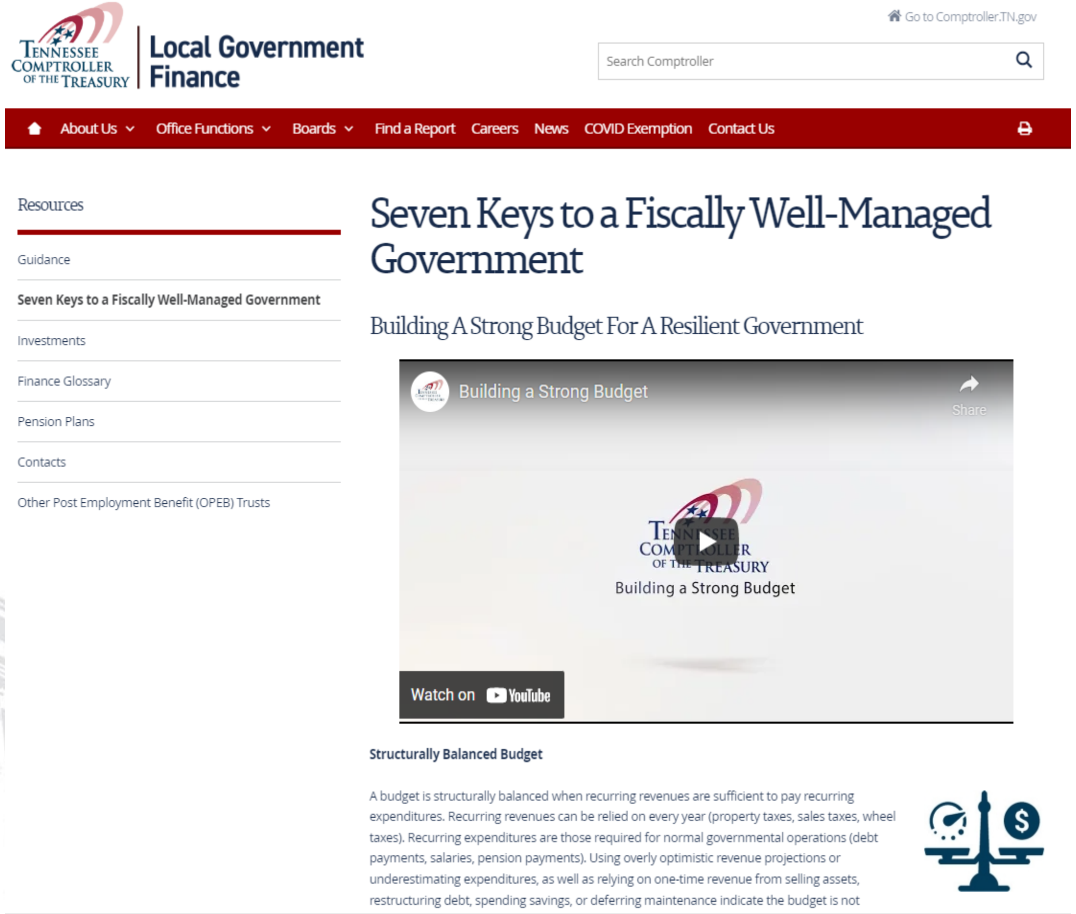
For more information: tncot.cc/budgetcertificates

General Fund 10-Year Financial Trend | FY 2016 - FY 2025



Audited financial data used to produce metrics and trend information are valid as of June 30, 2025.

Seven Keys To A Fiscally Well-Managed Government



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- Guidance
- Seven Keys to a Fiscally Well-Managed Government
- Investments
- Finance Glossary
- Pension Plans
- Contacts
- Other Post Employment Benefit (OPEB) Trusts

Seven Keys to a Fiscally Well-Managed Government

Building A Strong Budget For A Resilient Government

Building a Strong Budget

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Building a Strong Budget

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Structurally Balanced Budget

A budget is structurally balanced when recurring revenues are sufficient to pay recurring expenditures. Recurring revenues can be relied on every year (property taxes, sales taxes, wheel taxes). Recurring expenditures are those required for normal governmental operations (debt payments, salaries, pension payments). Using overly optimistic revenue projections or underestimating expenditures, as well as relying on one-time revenue from selling assets, restructuring debt, spending savings, or deferring maintenance indicate the budget is not

Tennessee Comptroller of the Treasury

DIVISION OF LOCAL GOVERNMENT FINANCE

Seven Keys to a Fiscally Well-Managed Government

For more information, visit ***tncot.cc/7keys***

Building A Strong Budget For A Resilient Government

Structurally Balanced Budget – A budget is structurally balanced when recurring revenues are sufficient to pay recurring expenditures. Recurring revenues can be relied on every year (property taxes, sales taxes, wheel taxes). Recurring expenditures are those required for normal governmental operations (debt payments, salaries, pension payments). Using overly optimistic revenue projections or underestimating expenditures, as well as relying on one-time revenue from selling assets, restructuring debt, spending savings, or deferring maintenance indicate the budget is not structurally balanced. [TCA § 9-21-403]

Cash Flow Management – A local government's ability to track how much revenue is coming into the government and how much is going out is vital to its fiscal health. Local governments that rely heavily on property taxes will need larger cash reserves to fund governmental services until tax revenue is received. Prior to its adoption, the budget must contain adequate revenues along with cash on hand to fund the government throughout the year. In addition, local governments need to have plans in place if additional sources of liquidity either internally (interfund tax anticipation note "TAN") or externally (bank issued TAN) prove to be necessary. [TCA § 9-21-801]

Forecasting Budgetary Amounts – Mechanisms for forecasting revenues and expenditures that consider economic trends and growth rates provide for reliable revenue estimates. Local governments that do not routinely forecast budgetary amounts may find revenues overstated and expenditures understated. [TCA § 9-21-403]

Planning For Unknowns

Rainy Day Reserve – Beyond liquidity management, local governments need to have reserves for unforeseen events like natural disasters or economic downturns. A government that creates a rainy-day fund should at times expect to use the reserves, but also have a policy for replacing the funds.

Contingency Spending Plans – Knowledge of what part of a budget is discretionary and can be legally and practically cut is necessary for dealing with unforeseen circumstances. If an event decreases a significant revenue source or increases spending during a year and revenues cannot be adjusted quickly then cuts to expenditures are necessary. Prior planning as to what cuts will be made will expedite the recovery.

Planning For Tomorrow

Long-Term Liability Planning – Debt, pension, and OPEB payments are set amounts in the annual budget. The larger these payments are, the less ability the governing body has to make changes to the budget. Ongoing decisions of whether to issue additional debt or to make changes to benefits have a direct budgetary impact that must be considered. When the repayment of long-term liabilities comprise a large percentage of the budget, consistent management of the government's obligations is essential.

Multi-Year Financial Planning – Having a plan that considers the long-term affordability of programs or projects before they become an item in the annual budget is crucial. Assets will need to be replaced, maintenance performed, and programs expanded; advanced planning of these items will help ensure the funding is available in the future.

Tennessee Comptroller of the Treasury

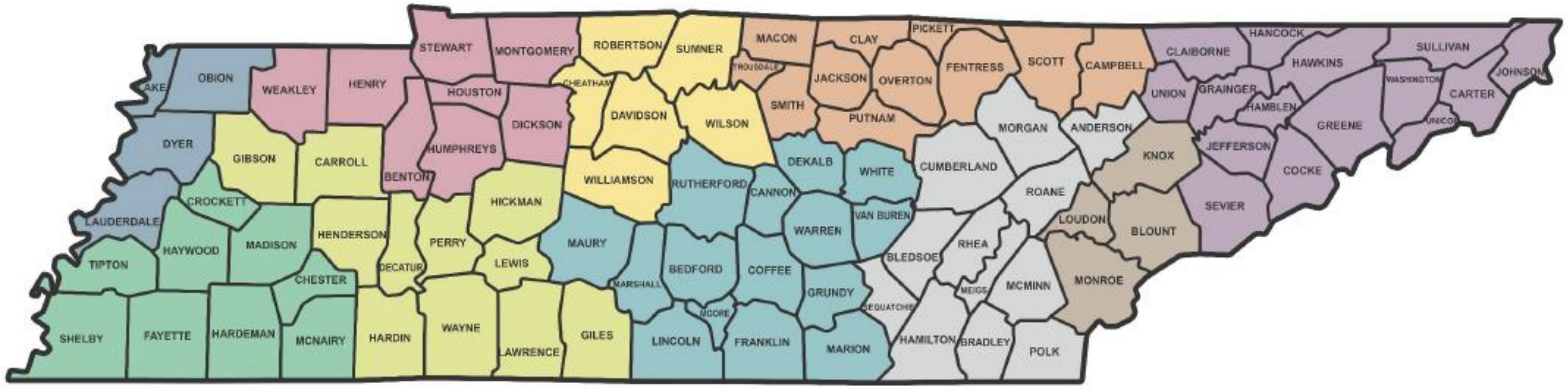
[Tncot.cc/7keys](https://tncot.cc/7keys)

Tennessee Comptroller of the Treasury

Seven Keys to a Fiscally Well-Managed Government

A	B	C
Building a Strong Budget for a Resilient Government	Planning for Unknowns	Planning for Tomorrow
1. Structurally Balanced Budget 2. Cash Flow Management 3. Forecasting Budgetary Amounts	4. Rainy Day Reserve 5. Contingency Spending Plans	6. Long-Term Liability Plan 7. Multi-Year Financial Planning

Division of Local Government Finance Contact Information by Region



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