



## FREQUENTLY ASKED QUESTIONS

*For more information, visit [tncot.cc/guidance](http://tncot.cc/guidance)*

*In our publication “Steps to a Well-Managed Budget” we discuss the importance of monitoring and amending the budget as needed. In this follow-up publication we address questions we have received on this topic with best practice responses to those questions.*

### **Q: HOW OFTEN SHOULD A GOVERNING BODY RECEIVE A BUDGET TO ACTUAL REPORT?**

**A:** Our office recommends individual board members receive a monthly budget to actual report with updated financial information as of the most recent month for each budgeted fund.

### **Q: AS A BOARD MEMBER, WHAT SHOULD I LOOK FOR IN THE BUDGET TO ACTUAL REPORT?**

**A:** The report shows you year-to-date actual revenue and expenditures/expenses compared to the original budget you passed and the impact to fund balance (or net position).

*Ask yourself:*

- Are our original estimates holding? If not, you should understand why and see what action, if any, is needed.
- Are revenues coming in short? If yes, determine if spending should be cut or if you have sufficient cash reserves to make up the shortfall, which will decrease fund balance. If you do not have enough reserves, you will need to cut expenditures/expenses. Remember you should always have enough cash to fund day-to-day operations. We recommend cash management and fund balance policies for your local government. Minimum levels defined by the respective policies should be maintained.
- Are expenditures/expenses consistent with budgeted amounts? Because the budget document is your legal authority to spend public dollars, it is important to amend the budget to ensure all expenditures are legally authorized prior to being incurred.
- Are utilities financially healthy or are we making decisions that will place us under the Tennessee Board of Utility Regulation (TBOUR).

Keep in mind that some revenues and expenditures/expenses by their nature do not occur each month and monthly variances are expected. However, you want to be sure to pay attention and ask questions when budget variances are unexpected. Your finance staff will be a valuable support.

### **Q: WHAT OTHER FINANCIAL DATA SHOULD THE GOVERNING BODY RECEIVE AND HOW OFTEN?**

**A:** At a minimum, and in addition to the budget to actual report, our office recommends the governing body receive:

- current cash balances for each fund
- updates from finance staff on the budget status for each fund, identifying any needed amendments to the budget

*Additional recommended items include:*

- updated cash flow forecasts
- multi-year historical financial data that shows the history of recurring and non-recurring revenue and expenditures/expenses, assets, liabilities, and fund balances
- multi-year historical data and ratios to support economic trends
  - The Government Finance Officers Association (GFOA) has good [recommendations](#).
- summaries of utility budgets showing the impact of revenues and expenses on net position and net position net of grants and contributions
  - When audits show two years of statutory negative changes in net position (that is, excluding grants and contributions), your local government will be referred to the oversight of the Tennessee Board of Utility Regulation (TBOUR).
- long-term capital improvement plan/budget
- internally designed reports
  - Your finance staff can help design reports. If you are new to the board, be careful not to ask for too much, too soon. Give yourself time to understand the information already being provided to board members. MTAS and CTAS can also help you design meaningful reports.

### **Q: WHEN DOES THE BUDGET NEED TO BE AMENDED?**

**A:** The budget should be amended to ensure it remains balanced throughout the fiscal year. The three main occasions being: (1) additional spending authority is needed, (2) additional revenue is received (grant/gift) and needs to be expended, and (3) revenue shortfalls require reduced spending authority.

### **Q: WHAT CAN I EXPECT FROM THE COMPTROLLER'S REVIEW OF THE ANNUAL BUDGET?**

**A:** Within 30 days of the budget being submitted to the Comptroller's Division of Local Government Finance, your local government will receive a letter via email explaining the results of our review: approved without comment, approved with some consideration, approval conditioned on some action, or not approved. This letter should be sent to all board members and discussed in the next regularly scheduled meeting. The letter will also be available [online](#). See the next Q&A.

### **Q: WHAT ACTIONS SHOULD A GOVERNING BODY TAKE IN RESPONSE TO RECEIVING THE COMPTROLLER'S ANNUAL BUDGET REVIEW LETTER?**

**A:** If the budget letter designates an approval with considerations, then explore the considerations with the goal of implementation. If the approval is conditional on additional action(s), then begin that process immediately. If the budget was not approved, then reach out to your regional analyst immediately to start a corrective action plan for next year's budget to get approved.

### **Q: HOW CAN WE BE TRANSPARENT TO OUR CITIZENS AND UTILITY CUSTOMERS REGARDING THE BUDGET MONITORING PROCESS?**

**A:** Citizens and customers rightly expect the governing body to abide by the budget that was adopted and to make amendments when needed. At a minimum, they should hear you discuss the status of the budget at monthly board meetings. A great next step is to make available on your website a monthly budget to actual report showing, by fund, revenues collected by major category; expenditures/expenses by department; net change in fund balance/net position; and cash amounts. Remember, you are stewards of public dollars where transparency and accountability are foundational to that stewardship.

### **Q: WHAT ACTIONS SHOULD A GOVERNING BODY TAKE ANNUALLY TO SUPPORT THE BUDGET MONITORING PROCESS?**

**A:** In collaboration with finance staff, the governing body should:

- Take needed action on areas from the Comptroller's annual budget review letter.
- Implement items from your most recent audit. Review auditor findings and recommendations, best practices, and management letter items, as applicable. Form a plan to address all of them, not just the budget related ones.
- Use financial information from last year's audit to help estimate this year's budget amounts.
- Forecast revenue and expenditures for the budget year (our website has [revenue-estimating tools](#)).
- Review the following for needed updates:
  - Budget calendar
  - Budget controls
  - Fund balance and cash management policies
  - Capital improvement plan; consider needed financing
- Reach out to your MTAS and CTAS consultants and advisors.

### **Q: WHAT OTHER BUDGET RELATED HELP DOES THE COMPTROLLER PROVIDE?**

**A:** Take advantage of our [online resources](#): such as the budget manual, annual budget memo, sample budget ordinance and resolution, budget schedules with estimator tools, example submission documents, certification template, helpful videos, sample utility budget template. Also be sure to see how your local government can qualify for the Comptroller's [annual budget certificate](#). If you have questions about our resources, reach out to your [financial analyst](#).