



# Financial Planning for Operations

Tennessee Emergency Communications Board

Jim Barnes, Fiscal Director

# TOPICS

- 2023 TECB and ECD Status
- Legal and Accounting Changes
- SBITAs
- Annual Budget
- Resources

# 2023 TECB and ECD Status

**As of June 30, 2023**

**FY2023 Total TECB Revenue: - - - - - \$150,495,216**

**FY2023 payments to or on behalf of ECDs:**

- Section 303 Base amount - - - - - \$ 81,606,780
- Surcharge Subsidy - - - - - \$ 30,967,080
- Section 130 revenue distribution - - - - \$ 16,699,495
- Controller Subsidy - - - - - \$ 2,460,000
- ANI/ALI lines and other - - - - - \$ 825,119

**TOTAL Payments to ECDs - - - - - \$132,558,474**

# 2023 TECB and ECD Status

## FY2023 TECB other expenses:

TRA TRS/TDAP - - - - - \$ 1,198,636

NG911 Support - - - - - \$15,588,374

Administration (includes federal grant) - \$ 2,776,431

**TOTAL TECB Expenditures - - - - \$152,121,915**

Percentage paid to ECDs 87.2%

Percentage for Administration 1.8%

Percentage for NG911 10.2%

Percentage for TRA/TDAP 0.8%

# 2023 TECB and ECD Status

## Changes in Net Position from FY2022 Audits

- 4 districts had a first year of negative change in net position
- no district had a second consecutive year of negative change in net position
- 2 districts had three or more consecutive years of negative change, but were subsequently determined by TECB to not be distressed
- 1 district had eight consecutive years of negative change and was deemed by TECB to be distressed

# 2023 TECB and ECD Status

On the August 15, 2023 due date, 74 ECDs had FY2024 budgets filed with TECB. 100 were on file by September 30

As of July 31, 2023, 35 districts were on-line for CHaaS with a total of 182 CTPs

In FY2022 total ECD expenditures reported by 98 districts were \$125,455,311 and local governments contributed \$35,463,449 toward this cost.

The average expenditure recorded by ECDs per month for each person on the 2020 census was \$ 1.51

# Legal and Accounting Changes - GASB

## GASB Statements –Effective Dates

### June 30: Fiscal Year 2023

- Statement 91 –conduit debt
- Statement 94 –public-private partnerships (PPPs)
- Statement 96 –SBITAs
- Statement 99 –omnibus 2022 (leases, PPPs, and SBITAs)

### June 30: Fiscal Year 2024

- Statement 99 –omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 –accounting changes and error corrections

### June 30: Fiscal Year 2025

- Statement 101 – compensated absences

# Legal and Accounting Changes – TN Laws

## Public Chapter 22 - House Bill 128/Senate Bill 147 (will take effect 7/1/2023)

- ❑ Extends the statute of limitation to six years for the prosecution of official misconduct and destruction and tampering with government records

## Public Chapter 83

- ❑ Updates collateral requirements for local government funds held on deposit with federal savings banks



# Legal and Accounting Changes – TN Laws

HB0921/SB0975 - Signed by Governor April 28, 2023

- ❑ Raises the bid limit **for utilities** to \$100,000
- ❑ Allows local governments to piggyback off contracts entered into by the State Building Commission without competitive bidding

Public Chapter 1111 (TCA 7-51-2301 et seq.)

- ❑ By July 1, 2023, prepare and implement a cyber security plan for the protection of **the utility's** facilities from:  
Unauthorized use, Alteration, Ransom, or Destruction of electronic data.
  - Assess and update the cyber security plan every 2 years.

[If required for utilities, can others be far behind?????](#)

# Legal and Accounting Changes – TN Laws

## House Bill 611/Senate Bill 103 – effective 7/1/2023

- ❑ This bill clarifies that employees of state governmental entities who are compensated through funding sources other than this state are subject to the Tennessee State Employees Uniform Nepotism Policy Act of 1980 (TCA § 8-31-103).
- ❑ It creates criminal and civil penalties for a state employee who knowingly or intentionally violates the Act.
  - Class A misdemeanor, and
  - Ouster proceedings or impeachment.
- ❑ Lastly, it authorizes the attorney general and reporter to investigate violations of the Act.

# Legal and Accounting Changes – TN Laws

## Public Chapter 861 (TCA 9-3-601)

- Governments can't pay, compensate, award, or remit funds in the form of cryptocurrency
- State Treasurer would have to grant approval

## Certified Finance Officer Program Free Continuing Professional Education (16 hours)

- Jackson, October 17th-18th (in-person)
- Nashville, October 25th-26th (in-person and virtually)

# Legal and Accounting Changes - Comptroller

## CROSSWALK

Fiscal Year Ended June 30, 2023 – **ECDs are not included except Brentwood and Oak Ridge.**

1. CPA Firms will perform annual audits as usual.
2. CPA Firms will be asked to use a Crosswalk Chart of Accounts to input data from the Audit into a Crosswalk Tool.
3. CPA Firms will charge an additional fee for these services. Cost will vary based on size, etc.
4. The Crosswalk Tool is based on the Chart of Accounts maintained by MTAS for many years and used by the Local Government Corp.
5. The Comptroller's Office has assumed responsibility for this Chart of Accounts and will make sure the Chart complies with GAAP.

# Legal and Accounting Changes - GASB

Effective December 31: Fiscal Year 2022

- Statement 87 –leases
- Statement 91 –conduit debt
- Statement 92 –omnibus 2020 (multiple effective dates)
- Statement 93 –LIBOR removal and lease modifications
- Statement 97 –certain component unit criteria and Section 457 plans
- Statement 99 –omnibus 2022 (extension of LIBOR, SNAP distributions, nonmonetary transaction disclosures, pledges of future revenues, clarification of provisions in Statement 34, and terminology updates)

# Legal and Accounting Changes - GASB

## Effective December 31: Fiscal Year 2023

- Statement 94 –public-private partnerships
- Statement 96 –SBITAs
- Statement 99 –omnibus 2022 (leases, PPPs, and SBITAs)

## Effective June 30: Fiscal Year 2025

- Statement 101 – compensated absences

**I am not commenting on GASB Statements that would seldom (if ever) be applicable to ECDs.**

# Legal and Accounting Changes - Leases

## GASB Statement No. 87, Leases

Establishes a single reporting model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.

Effective for annual reporting periods beginning after June 15, 2021, and interim periods beginning the year after.

**May need to re-evaluate and make adjustments for leases included last year and consider the applicability of SBITAs and GASB 96.**

# Legal and Accounting Changes – GASB

## GASB Statement No. 92 - Omnibus

Establishes change to GASB 10.

- You are now allowed to record funds received as insurance recovery as a reduction of expenditure instead of required to record as non-operating revenue.

## GASB Statement No. 101 – Compensated Absences

- Accounting for cost of time not worked will be updated.
- Cost of vacation time, sick leave, holiday pay, parental leave, sabbatical leave, jury duty, etc., will be addressed.



# Legal and Accounting Changes – PPPs, 3Ps, APAs

## GASB Statement No. 94

Arrangements “in which a government (the transferor) **contracts** with an operator [governmental or nongovernmental] to **provide public services** by conveying **control** of the right to operate a **nonfinancial assets**, such as infrastructure or other capital asset (the underlying PPP asset), for a **period of time** in an **exchange or exchange-like** transaction.

Effective for reporting periods beginning after June 15, 2022

**My opinion is that interlocal agreements for local governments to dispatch as ECD agents are not in an “exchange or exchange-like” arrangement and do not meet this requirement for a 3P.**

# Legal and Accounting Changes - SBITAs

## GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs)

Amends GASB Statement No. 87 to exclude SBITAs from the scope of the Lease standard. Tangible capital assets associated with a SBITA that were recognized under GASB Statement No. 87 will be restated when GASB Statement No. 96 is adopted.

- Establishes standards of accounting and financial reporting for SBITAs by a government end user.
- Effective for periods beginning after June 15, 2022.

# Legal and Accounting Changes - SBITAs

## Subscription-Based Information Technology Arrangements (SBITAs) – Definition

A **contract** that conveys **control** of the **right to use** another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

In order to “convey control of the right to use of the underlying asset”, a contract should have both of the following:

- The right to obtain the present service capacity from use of the underlying IT asset
- The right to determine the nature and manner of use of the underlying IT asset

# Legal and Accounting Changes - SBITAs

## Short Term SBITA

- Maximum possible term at commencement of the subscription term of 12 months or less
- No recognition of subscription liability or subscription asset required
- Short term payments are expensed as incurred

## All Other SBITA

- Subscription liability and subscription asset are recognized at the commencement of the subscription term

# Legal and Accounting Changes - SBITAs

## Determining Application

Just like leases in GASB 87, every agreement for software arrangements that results in cost to you must be evaluated for GASB 96 application and recording in your books.

Just like leases in GASB 87, Frank Crawford & Associates has developed a 43 step process in evaluating agreements and determining appropriate entries. A copy of the worksheet will be placed on the TECB website. **If the schedule is password protected the password is “password”.**

# Legal and Accounting Changes - SBITAs

## Exclusions

- Contracts that solely provide IT support services
- Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in GASB Statement No. 87, Leases, in which the software component is insignificant when compared to the cost of the underlying tangible capital asset
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
- Contracts that meet the definition of a P3 in GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, Accounting and Financial Reporting for Intangible Assets

# Legal and Accounting Changes - SBITAs

All SBITAs meet definition of lease – Which GASB to follow?

Accounting depends on the underlying asset:

- Tangible capital assets alone – follow GASB No. 87
- IT software alone – follow GASB No. 96
- IT software in combination with tangible capital assets:
  - Software component is insignificant compared to cost of underlying tangible capital asset – follow GASB No. 87
  - Otherwise – follow GASB No. 96

# Legal and Accounting Changes - SBITAs

## Examples:

- Multi-functional copier – GASB 87 – No control over programming, function is printed materials
- New full self-driving automobile – GASB 87 – No control over programming, function is transportation
- Website subscriptions – GASB 87 – No control over programming, function is information
- Laptops, Microsoft 365 – GASB 87 – No control over programming, function is use and data
- Software - QuickBooks Online – GASB 87 – Term is one-year. No control over programming, function is financial data



# Legal and Accounting Changes - SBITAs

## Initial Recording Entry

### Leases (Lessee)

- Asset - Intangible right-to-use lease asset = Lease liability plus prepayments and any ancillary costs to place asset to use
- Liability - Lease liability = Present Value (PV) of expected lease payments over lease term

### SBITA (End User)

- Asset - Intangible right-to-use subscription asset = Subscription liability + prepayments + capitalizable initial implementation costs
- Liability - Subscription liability = Present Value (PV) of expected SBITA payments over SBITA term

# Legal and Accounting Changes - SBITAs

## Subsequent Recording Entry

### Leases (Lessee)

- Asset - Amortize lease asset over shorter of useful life of asset or lease term
- Liability - Reduce lease liability by principal portion of lease payments - Recognize(accrue) interest payable

### SBITA (End User)

- Asset - Amortize subscription asset over shorter of useful life of IT asset or SBITA term
- Liability - Reduce subscription liability by principal portion of SBITA payments - Recognize(accrue) interest payable

# Legal and Accounting Changes - SBITAs

## Question

Is a licensing agreement for a vendor's computer software that automatically renews until cancelled a licensing agreement that provides a perpetual license?

- No. A provision under which a licensing agreement automatically renews until cancelled is an option to terminate the agreement at each renewal date. An agreement that includes an option to terminate is not a purchase, whereas a perpetual license is a purchase in which a government is granted a permanent right to use the vendor's computer software. Therefore, a licensing agreement for a vendor's computer software that automatically renews until cancelled does not provide a perpetual license.

# Legal and Accounting Changes - SBITAs

## Question

Does the reporting entity have to go back to the inception of the SBITA?

- No, it is not required. SBITAs are recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year. However, if applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances that existed at the beginning of the earliest fiscal year restated

# Legal and Accounting Changes - SBITAs

## Question

In the year of implementation is beginning net position always restated?

- Yes. GASB Statement No. 96 states, changes should be applied retroactively by restating the financial statements for all prior fiscal years presented, if practicable. If restatement is not practicable, the cumulative effect should be reported as a restatement of beginning net position (or fund balance/fund net position) for the earliest fiscal year presented.

# Legal and Accounting Changes - SBITAs

To facilitate the recording of SBITA transactions, the Office of the Comptroller of the Treasury updated the ECD Uniform Chart of Accounts of Accounts in September 2023.

The updated accounts are in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications* at the link below.

- <https://comptroller.tn.gov/office-functions/la/resources/manuals.html>

# Legal and Accounting Changes - SBITAs

Account Number	Description	Reason for Addition
<b>Asset Accounts</b>		
<b>1012</b>	Lease Receivable - Current	To properly account for current receivables regarding leases in compliance with GASB 87.
<b>1203</b>	Intangible (Right-to-Use) SBITA Asset	To properly account for assets related to subscription-based information technology arrangements in compliance with GASB 96
<b>1204</b>	Accumulated Amortization (Right-to-Use) SBITA Asset	To properly account for the amortization of assets related to subscription-based information technology arrangements in compliance with GASB 96.

# Legal and Accounting Changes - SBITAs

Account Number	Description	Reason for Addition
<b>Liability Accounts</b>		
<b>2015</b>	SBITA Payable – Current	To properly account for current liabilities related to subscription-based information technology arrangements in compliance with GASB 96.
<b>2206</b>	SBITA Payable – Long-Term	To properly account for long-term liabilities related to subscription-based information technology arrangements in compliance with GASB 96.
<b>2209</b>	Lease/SBITA Advances (prepaid)	To properly account for long-term liabilities related to subscription-based information technology arrangements in compliance with GASB 96



# Annual Budget - Required

§ 7-86-120 - The board of each district shall adopt and operate under an annual budget

**No district may expend any moneys, regardless of their source, except in accordance with a budget adopted under this section.** Expenses must be presented at the legal level of control, which is defined to be at the line-item level

Budgeted expenditures should not be greater than budgeted revenues. Use of reserves may be authorized for expenditures beyond the income level, but reserves are not to be considered as revenue in calculating change in net position

# Annual Budget – Due Dates

**Prior to adoption of the budget**, the board of directors shall hold a public hearing on the proposed budget for which adequate public notice has been given

**Prior to adoption**, a copy of the proposed budget shall be filed with the **clerk or recorder** of the appropriate county or municipality, who shall then distribute copies to members of the appropriate legislative body and to members of municipal legislative bodies participating in the district, at least thirty (30) days before the next scheduled meeting of the legislative body

**Prior to adoption**, a copy of the proposed budget shall also be filed with the **chief administrative officer** of the appropriate county or municipality at the same time the budget is filed with the clerk or recorder.

# Annual Budget – Due Dates (continued)

**Within thirty (30) days after the budget's adoption**, the budget, and any amendments to the budget, shall be filed with the **clerk or recorder** of the appropriate county or municipality, who shall then distribute copies to members of the appropriate legislative body

**Within thirty (30) days after its adoption**, the budget, and any amendments to the budget shall be filed with the **chief administrative officer** of the appropriate county or municipality

Nothing in these subsections shall prohibit a district from:

- adopting a proposed budget or delay the orderly adoption of the annual budget by the district's board of directors
- amending a budget after adoption

# Annual Budget – Due Dates (continued)

If review of the budget comparison statement with actual expenditures indicates that a line-item expenditure will exceed the budgeted amount, then a budget amendment must be made to shift line-item amounts to cover all expenditures. Otherwise, you are not in compliance with §7-86-120 and have exceeded your board approved expenditure limit

Budget amendments can be made anytime during the year as occasion demands, but must be board approved **before June 30** of each year (approvals after June 30 are not valid)

# Annual Budget – Due Dates (continued)

TCA § 7-86-304(c) The board of directors of each emergency communications district shall file with the board (TECB) a copy of its annual budget, prepared in accordance with § 7-86-120

TECB Policy No. 04 - ECD annual budgets shall be filed with the TECB no later than forty-five (45) days after July 1st of each year

If the ECD board has failed to submit an annual budget within thirty (30) days after receipt of required notification from TECB, the district director and chairman will be required to appear at the second quarter meeting of the TECB to explain the district's failure to submit a budget, provided that the annual budget has not been submitted prior to that meeting

# Annual Budget - Penalty

TCA § 7-86-128(h) . . . the board (TECB) may withhold ... (base funding) distribution to an emergency communications district, if the district is operating in, or fails to correct a specific violation of state law. This may include, but not be limited to, the **failure to submit an annual budget** or audit, operating contrary to the open meeting requirements of title 8, chapter 44, part 1, or failure to comply with any requirements of this chapter 86.

Further, the board (TECB) may also withhold such distribution if it deems that the district is not taking sufficient actions or acting in good faith to establish, maintain, or advance E911 service for the citizens of an emergency communications district.

# Budget Form - Requirements

TCA 7-86-120: The budget shall present a financial plan for the ensuing fiscal year, including at least the following information:

1. Expenditures and revenues for the preceding year (from audit report)
2. Projected expenditures and revenues for the current fiscal year (from approved budget)
3. Estimates of proposed expenditures and revenues for the upcoming year

# Budget Form - Requirements

4. Reasons for recommended departures from the current appropriations pattern
5. An estimated balance or deficit, as of the end of the current fiscal year
6. A statement of pending capital projects and proposed new capital projects
7. Statement of the bond and other indebtedness of the district
8. A schedule of salaries by position and the number of people employed



# Budget Form -

The entire printed document is lengthy (4 pages). To conserve space, please **hide** any blank lines or sections of the budget that you will not use (if you use the TECB excel form, you can click on all tabs and then hide or add rows and sub-codes to all documents at the same time)

Do not delete lines or hide lines with actual data, because the total will not match the audit report (I would suggest filling out all three columns before hiding empty rows)

# Budget Form - Change in Net Position

Change in Net Position is the difference between revenue and expenditures

1. Always strive for a positive change in net position
2. If the change is negative, more expenditures are budgeted than revenues
3. The source(s) of available funds to meet a negative change in net position should always be explained (try to avoid using reserves to pay for recurring expenses)

# Budget Form - Additional Funding Sources

Reserves are the primary resource for offsetting negative changes in net position

1. Reserves are generated by the accumulation of cash from positive changes in net position of each year for all years of operation
2. Depreciation is a prime input ingredient for the accumulation of cash. When depreciation expense is recorded, cash is not reduced (*the balancing entry is against accumulated depreciation, a contra-asset*)
3. Reserves are not revenue (It is helpful to estimate changes in reserve balances, but not required)

# Current Year Variances and Amendments

Make budget amendments conservatively. Enter higher budget expenditure amounts than really expected. It is easier to explain to your board a potential negative change in net position caused by overestimating budget expenditures, than it is to address an audit exception or finding because money was spent without authorization

The closer it is to the end of the fiscal year, the more obvious the need for an amendment becomes

# Resources

Accounting and Financial Reporting Manual for TN ECDs  
2022 Audit Manual - Internal Control and Compliance Manual

[https://comptroller.tn.gov/office-  
functions/la/resources/manuals.html](https://comptroller.tn.gov/office-functions/la/resources/manuals.html)

TN Budget Manual for Local Governments

[https://comptroller.tn.gov/content/dam/cot/lgf/documents/man-  
uals/LocalGovernmentBudgetManualFinal.pdf](https://comptroller.tn.gov/content/dam/cot/lgf/documents/manuals/LocalGovernmentBudgetManualFinal.pdf)

Certified Municipal Finance Officer program

[https://www.mtas.tennessee.edu/certified-municipal-finance-  
officer-cmfo](https://www.mtas.tennessee.edu/certified-municipal-finance-officer-cmfo) (not required, but good training)

# Resources

TN Debt Manual for Local Governments

<https://comptroller.tn.gov/content/dam/cot/lgf/documents/manuals/LocalGovernmentDebtManualFinal.pdf>

Finance Leases require Comptroller approval

A financing lease is defined as an agreement for the use of property and includes one of the following elements:

- (a) rental payments include an identifiable interest component; or
- (b) the local government has the right to purchase the property that is subject to the lease at a price that is not based upon the fair market value of the property at the time of the purchase.

# Resources

## TN Debt Manual for Local Governments (continued)

- Tenn. Code Ann. § 9-24-101 - On or after January 1, 2022, any lease that is not classified as exempt under the “Uniformity in Local Government Lease Financing Act of 2021,” must be reviewed and approved by the Comptroller’s Office prior to approval by the local governing body
- This approval requirement applies to individual lease financing agreements with principal amounts greater than \$100,000 and to individual lease financing agreements that are \$100,000 or less if the principal amount, together with the principal amount of all exempt lease financings issued by the public entity in the same fiscal year exceeds \$100,000.

# Resources

Uniformity in Local Government Lease Financing Act  
<https://www.ctas.tennessee.edu/eli/uniformity-local-government-lease-financing-act>

Pursuant to T.C.A. § 9-24-102(5), lease financing is defined as any lease under which (1) the rental payments include an identifiable interest component; or (2) the lessee has a right to purchase the property subject to the lease price that is not based upon the fair market value of the property at the time of purchase.

Exempt lease financing is lease financing with a principal amount not exceeding \$100,000 and does not include a lease financing if the principal amount of that lease financing together with the principal amount of all exempt lease financing issued by the public entity previously in the same fiscal year exceeds (\$100,000); See T.C.A. § 9-24-102((1).

Before entering any lease financing, a local government is required to get approval from the comptroller of treasury



# Resources

## Uniformity in Local Government Lease Financing Act

### **Required Supplemental Information**

Schedule of Changes in Lease Obligations. The schedule should include the following:

- Original Amount of Issue
- Date of Issuance
- Beginning Outstanding Amounts
- Remeasurements
- Amounts Paid and/or Matured During Period
- Interest Rate
- Maturity Date
- Amounts Issued During Period
- Ending Outstanding Amounts

Schedule of Lease Obligations, Principal, and Interest Requirements by Fiscal Year

# Resource - Contact

## Jim Barnes, Fiscal Director

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TECB Office Phone Number: (615) 253-2164

Website

TECB Home Page: <http://tn.gov/commerce/section/e911>