



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986

September 24, 2014

The Honorable County Mayor
and Board of Commissioners of Rutherford County
Rutherford County Courthouse, Suite 201
Murfreesboro, TN 37130

Dear Mayor Burgess and Commissioners:

This letter should be read into the minutes of the next meeting of the County Commission with a copy provided to each commissioner.

This letter acknowledges receipt of a certified copy of the 2015 fiscal year budget.

We have reviewed the budget and have determined that projected revenues and other available funds are sufficient to meet anticipated expenditures. Our review of the budget is based solely on the information we have received and is for determining that the budget appears to be balanced. With regard to programs included in the budget such as education, roads, and corrections, we have not attempted to determine that the local government has complied with specific program statutes or guidelines, or with any financing requirements prescribed by any state or federal agency. A property tax rate may be included in this budget, and we would recommend that local government officials be certain that all program requirements have been met before initiating the tax collection process.

This letter constitutes approval, by this office, for the County's 2015 fiscal year budget as adopted by the Governing Body.

Considerations Concerning the Budget

The Office of State and Local Finance has determined that the County's budget meets basic statutory requirements, but we have detected deficiencies, outlined below, that could possibly lead to financial problems in the future.

Fund Balances for the General Purpose School and School Federal Projects Funds

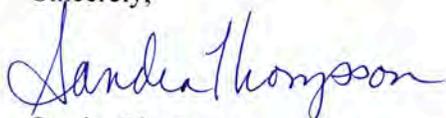
The County's fiscal year 2015 budget projects the General Purpose School Fund and School Federal Projects Funds to close the year with fund balances that cover less than one month's expenditures. See Table 1 enclosed with this letter for fund balance information.

At this level of spending, the County may not have the necessary operating cash or working capital to sustain the operations of these funds. This situation could lead to a practice of issuing nonconforming tax and revenue anticipation notes or transferring unappropriated monies from another fund. State statutes require the County to maintain a balanced budget on a continuing basis and to only make expenditures if the monies have first been appropriated and cash is available.

The County Commission and School Board should review the working capital requirements for these funds to determine the necessary level of cash needed to sustain their operations. We recommend that the County use the cash flow analysis statement required by our office for enterprise funds to analyze the actual cash requirements for these funds during the fiscal year 2014 and to project those requirements for the fiscal year 2015. Please send a copy of the results of the analysis to our Office by December 1, 2014, with the County Commission's and School Board's working capital recommendation for the funds.

If you should have any questions regarding this, or if we may be of assistance, please contact us.

Sincerely,



Sandra Thompson
Director of the Office of State and Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Ms. Lisa A. Nolan, Budget, & Finance Director, Rutherford County

Enclosure: Table 1 Estimated Beginning and Projected Ending Fund Balances FY 2015 Budget

Table 1
Rutherford County
Estimated Beginning and Projected Ending Fund Balances FY 2015 Budget

Fund	Estimated Beginning Fund Balance July 1, 2014	Estimated Beginning Fund Balance As % of Total Expenditures	Projected Ending Fund Balance June 30, 2015	Projected Ending Fund Balance As % of Total Expenditures	1-Month's Average Expenditures	1-Month's Average Expenditures As % of Total Expenditures
General Purpose School Fund	\$ 22,050,000	7.2%	\$ 10,368,120	3.4%	\$ 25,557,393	8.3%
School Federal Projects Fund	1,001,712	7.6%	1,001,712	7.6%	1,093,773	8.3%

RUTHERFORD COUNTY BOARD OF EDUCATION



Marvin D. Odom, Director of Schools

2240 Southpark Drive
Murfreesboro, Tennessee 37128
Phone (615) 893-5812 Fax (615) 898-7940

October 1, 2014

Ms. Sandra Thompson
Director of the Office of State and Local Finance
505 Deaderick St.
Nashville, TN, 37243-1402

Dear Ms. Thompson,

We have reviewed our fund balances, revenues, and expenditures for the General Purpose School and the Federal Projects Funds. We think the timing of our cash inflows and our expenditure outflows will follow the patterns we have seen in previous years, and that we will have enough cash to fund both funds.

Our school system does not follow an even pattern of spending over twelve months. For a school system on a traditional calendar, July and August tend to be extremely light months. We typically expend around 4% of total expenditures for July and August. (As of 8/31/14 we had only expended 3.84% of our total budget.) Conversely we expend more than 8.3% of our budget each month September through June when we pay teachers and a full month for classified staff. Our normal flow of state and local revenues covers our expenditures for the months that schools are open.

Our goal is to start the year with more than 4.0% in our unassigned fund balance. As long as we have been able to open a year with that level our cash flow has been all right in the General Purpose School Fund.

The Federal Projects are not an issue because the state funds these projects as we prepare to expend the budget. \$1,000,000 of the fund balance for Federal Projects is a loan from the General Purpose Fund Balance. We made that loan in order to cover times when reimbursements from the state lag behind our expenditures.

We are still concerned that we are relying so much on our fund balance to fund on-going operations, \$11,682,000 for the 2014/15 budget. Using prior year ending funds to balance the new budget began when RCS simultaneously opened Oakland and Whitworth-Buchanan Middle schools and renovated Central Magnet all in 2010. We would like to move away from this reliance on fund balance, but we need funding that at least matches or exceeds student enrollment growth.

If you should have any questions regarding this, or if we may be of any assistance, please contact us.

Sincerely,

Jeff Sandvig
Asst. Supt. Budget & Finance

cc: Mr. Marvin D. Odom
Mr. Wayne Blair
Mr. Terry Hodge
Mr. Jim Estes
Mr. Aaron B. Holladay
Mr. Jeff Jordan
Ms. Lisa Moore
Mr. Coy Young
Ms. Lisa A. Nolen

Fiscal year ended 6/30/2015

STATEMENT OF CASH FLOW ANALYSIS

General Purpose Scho	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	June
Cash Receipts	\$ 244,624	\$ 21,318,614	\$ 21,010,631	\$ 24,763,494	\$ 24,840,987	\$ 46,359,104	\$ 26,479,151	\$ 44,474,155	\$ 26,494,008	\$ 22,850,942	\$ 5,481,330	\$ 30,689,859
Loan Proceeds												
Transfers In												
Total Cash Inflows	\$ 244,624	\$ 21,318,614	\$ 21,010,631	\$ 24,763,494	\$ 24,840,987	\$ 46,359,104	\$ 26,479,151	\$ 44,474,155	\$ 26,494,008	\$ 22,850,942	\$ 5,481,330	\$ 30,689,859
Beg Cash Bal	48,346,324	31,982,597	33,231,353	26,415,388	20,604,256	16,010,208	33,464,280	31,050,227	46,249,091	41,901,116	36,217,048	11,959,185
Available Cash	\$ 48,590,947	\$ 53,301,211	\$ 54,241,984	\$ 51,178,882	\$ 45,445,243	\$ 62,369,311	\$ 59,943,431	\$ 75,524,382	\$ 72,743,098	\$ 64,752,059	\$ 41,698,379	\$ 42,649,045
Cash Payments												
payroll payables	10,789,680	10,115,724										
accounts payable	3,735,521	1,691,190										
other charges	2,083,150	8,262,945	27,826,596	30,574,626	29,435,036	28,905,031	28,893,204	29,275,291	30,841,982	28,535,010	29,739,193	32,316,658
Total Cash Outflows	\$ 16,608,351	\$ 20,069,858	\$ 27,826,596	\$ 30,574,626	\$ 29,435,036	\$ 28,905,031	\$ 28,893,204	\$ 29,275,291	\$ 30,841,982	\$ 28,535,010	\$ 29,739,193	\$ 32,316,658
End Bal	\$ 31,982,597	\$ 33,231,353	\$ 26,415,388	\$ 20,604,256	\$ 16,010,208	\$ 33,464,280	\$ 31,050,227	\$ 46,249,091	\$ 41,901,116	\$ 36,217,048	\$ 11,959,185	\$ 10,332,387