

**TENNESSEE STATE FUNDING BOARD
DECEMBER 21, 2015
AGENDA**

1) Call meeting to order

2) Report from the Department of Economic and Community Development (ECD):

– For approval of funding for the following projects:

▪ Advanced Munitions International (AMI) – Alcoa (Blount Co) FastTrack Economic Development	\$ 6,050,000
▪ Allied Dispatch Solutions – Johnson City (Washington Co.) FastTrack Economic Development	\$ 962,000
▪ Eagle Bend Mfg., Inc. – Clinton (Anderson Co.) FastTrack Job Training Assistance	\$ 92,075
FastTrack Infrastructure Development	\$ 764,500
▪ Lifetime Products, Inc. – Knoxville (Knox Co.) FastTrack Economic Development	\$ 1,650,000
▪ Morgan Olson, LLC – Loudon (Loudon Co.) FastTrack Job Training Assistance	\$ 1,000,000
FastTrack Economic Development	\$ 1,500,000
▪ Regal Cinemas, Inc. – Knoxville (Knox. Co.) FastTrack Economic Development	\$ 1,500,000
▪ Orgill, Inc. – Collierville (Shelby Co.) FastTrack Economic Development	\$ 2,000,000
▪ Wonder Porcelain Group LLC – Mount Juliet (Wilson Co.) FastTrack Economic Development	\$ 2,200,000

– For additional disclosure on the following projects:

- **Jackson Kayak, Inc. – Sparta (White Co.)**
- **TeamHealth, Inc. – Louisville (Blount Co.)**

3) Acknowledge receipt of letter regarding “Cash Management Improvement Act Report Presentation”

4) City of Dyersburg Plan of Correction

5) Adjourn



MEMORANDUM

TO: Commissioner Martin

FROM: Mike Corricelli

DATE: November 2, 2015

SUBJECT: Cash Management Improvement Act Annual Report Presentation

As required by the federal Cash Management Improvement Act (CMIA), which governs the transfer of funds between the federal government and the states, the Division of Accounts prepares and submits to the U.S. Department of Treasury, on or before December 31 of each year, an annual report accounting for state and federal interest liabilities of Tennessee's most recently completed fiscal year.

Historically, prior to submission to the U.S. Department of Treasury, this report has been formally presented to the State Funding Board at its December meeting. While the Division of Accounts is happy to continue this practice, we recommend that beginning this year, the annual report merely be distributed to State Funding Board members along with an executive summary and written offer to answer any questions the members may have upon review (in lieu of a formal presentation).

We recognize the State Funding Board's key role in the establishment and governance of the state's cash management practices. We also believe, that given the small dollar value of the federal and state interest liabilities reported for the past several years (net federal liabilities of less than \$3,400 were reported for both 2013 and 2014), our recommended change in approach allows the Board to fulfill these responsibilities and at the same time make more effective and efficient use of their board meeting time.

This recommendation has been discussed with State Funding Board staff. They, like the Division of Accounts, have found nothing mandating the Board to hear the CMIA annual report.

I am more than happy to provide any additional information, relative to the federal CMIA requirements, or Tennessee's annual reporting, that would be helpful to you or any of the funding board members, in order to consider this recommendation to discontinue the formal presentation of the state's annual CMIA report at its annual revenue estimating meeting in November or December of each year.

I have attached a copy of the executive summary for Tennessee's 2014 report for your reference in considering this recommendation, and look forward to hearing your thoughts.

Executive Summary

The Cash Management Improvement Act (CMIA) of 1990 (Public Law 102-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), governs the transfer of funds between the Federal Government and States. This legislation was enacted to address issues of equity on these exchanges. Specific objectives of this legislation are:

- Provide the calculation to determine the threshold for reporting.
- Establish guidelines on how the exchange of funds is transacted.
- Minimize the time elapsing between when funds are expended and reimbursement is received.
- Calculate and exchange interest when funds are not timely transferred.

Per the 2014 Treasury State Agreement, the threshold for reporting for fiscal year 2014 is \$60,000,000. There are 16 Federal programs covered. See Exhibit A for a list of covered programs by State recipient agency.

Compliance

A compliance exception is considered to occur when there is a difference between the dates a Federal transfer should have been received and when the transfer was actually received.

The State's implementation of the CMIA is subject to audit in accordance with Chapter 75 of Title 31, United States Code, "Requirements for Single Audits". If it can be demonstrated the State has materially failed to comply with its Treasury State Agreement, FMS may request a Federal agency or the General Accounting Office to conduct an audit to determine interest owed to the Federal Government. If the results of the audit are unfavorable, FMS could deny paying any federal interest liability due, deny reimbursement of the direct cost claim, or take other legal remedies.

Interest Exchange

According to the Treasury State Agreement, the Federal Government generally incurs an interest liability when the State pays out funds for program purposes with valid obligational authority before Federal funds are credited to a State account. The State incurs an interest liability when Federal funds are deposited into a State account pending payment for program purposes.

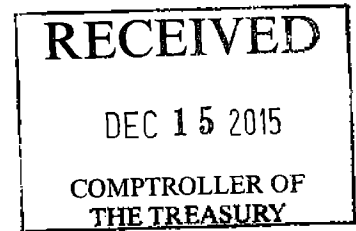
For FY 2014, the State interest liability is \$243 and Federal interest liability is \$1,480. Upon request, department summaries can be provided for additional detail on these amounts. Interest is scheduled to be exchanged March 31, 2015.

Direct Costs

Costs directly attributable to CMIA monitoring and reporting are reimbursable from the Federal Government. Eligible costs are tracked within Edison and include the calculation of interest liabilities, clearance pattern monitoring, and the preparation of the Annual Report. As of November 2014, the State has approximately \$1,600 of eligible direct costs. Additional direct cost incurred will be added to this amount, and the total will be reported to FMS as a part of the annual report.

Annual Reporting Procedures

The Cash Management Improvement Act System (CMIAS) is the electronic system provided by FMS for the submission of information to generate the annual report. By December 31, 2014, the report is required to be electronically submitted. A copy signed by the Commissioner is also required to be mailed by this date. Upon approval by the U.S. Department of the Treasury, Financial Management Service, a copy of the final report is sent to the State Funding Board Staff.



**STATE OF TENNESSEE
CASH MANAGEMENT IMPROVEMENT ACT
ANNUAL REPORT
STATE FISCAL YEAR 2015**

PREPARED BY
DEPARTMENT OF FINANCE AND ADMINISTRATION
Division of Accounts

**STATE OF TENNESSEE
CASH MANAGEMENT IMPROVEMENT ACT
ANNUAL REPORT
STATE FISCAL YEAR 2015**

TABLE OF CONTENTS

Executive Summary

Compliance

Interest Exchange

Direct Costs

Annual Reporting Procedures

Schedule of Interest Liabilities – Projected Interest Exchange

Exhibit A – Schedule of CMIA Coverage

Executive Summary

The Cash Management Improvement Act (CMIA) of 1990 (Public Law 102-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), governs the transfer of funds between the Federal Government and States. This legislation was enacted to address issues of equity on these exchanges. Specific objectives of this legislation are:

- Provide the calculation to determine the threshold for reporting.
- Establish guidelines on how the exchange of funds is transacted.
- Minimize the time elapsing between when funds are expended and reimbursement is received.
- Calculate and exchange interest when funds are not timely transferred.

Per the 2015 Treasury State Agreement, the threshold for reporting for fiscal year 2015 is **\$80,000,000**. There are **17** Federal programs covered. See Exhibit A for a list of covered programs by State recipient agency.

Compliance

A compliance exception is considered to occur when there is a difference between the dates a Federal transfer should have been received and when the transfer was actually received. The State generally complied with the terms of the Treasury State Agreement for fiscal year 2015.

The State's implementation of the CMIA is subject to audit in accordance with Chapter 75 of Title 31, United States Code, "Requirements for Single Audits". If it can be demonstrated the State has materially failed to comply with its Treasury State Agreement, FMS may request a Federal agency or the General Accounting Office to conduct an audit to determine interest owed to the Federal Government. If the results of the audit are unfavorable, FMS could deny paying any federal interest liability due, deny reimbursement of the direct cost claim, or take other legal remedies.

Interest Exchange

According to the Treasury State Agreement, the Federal Government generally incurs an interest liability when the State pays out funds for program purposes with valid obligational authority before Federal funds are credited to a State account. The State incurs an interest liability when Federal funds are deposited into a State account pending payment for program purposes. A written explanation is required by FMS for all Federal interest liabilities in excess of \$5,000 and all prior year interest liability adjustments. There were no interest liabilities in excess of \$5,000 or prior year interest liability adjustments to be reported to the State Funding Board.

For FY 2015, the State interest liability is **\$220** and Federal interest liability is **\$915**. Upon request, department summaries can be provided for additional detail on these amounts. Interest is scheduled to be exchanged March 31, 2016.

Direct Costs

Costs directly attributable to CMIA monitoring and reporting are reimbursable from the Federal Government. Eligible costs are tracked within Edison and include the calculation of interest liabilities, clearance pattern monitoring, and the preparation of the Annual Report. As of December 2015, the State has approximately **\$2,756** of eligible direct costs. Additional direct cost incurred will be added to this amount, and the total will be reported to FMS as a part of the annual report.

Annual Reporting Procedures

The Cash Management Improvement Act System (CMIAS) is the electronic system provided by FMS for the submission of information to generate the annual report. By December 31, 2015, the report is required to be electronically submitted. A copy signed by the Commissioner is also required to be mailed by this date. Upon approval by the U.S. Department of the Treasury, Financial Management Service, a copy of the final report is sent to the State Funding Board Staff.

STATE OF TENNESSEE
 SCHEDULE OF INTEREST LIABILITIES - PROJECTED INTEREST EXCHANGE
 STATE FISCAL YEAR 2015

CFDA	State Agency	Federal Program	Federal Liability (3)	State Liability (2)	State PY Adjustments	Federal PY Adjustments	Net Liability (1)
10.551	DHS	Supplemental Nutrition Assistance Program	\$ -	\$ -	\$ -	\$ -	\$ -
10.553	Education	National School Breakfast Program	7	-	-	-	7
10.555	Education	National School Lunch Program	2	-	-	-	2
		Special Supplemental Nutrition Program for Women, Infants, and					
10.557	Health	Children (WIC) Administration	2	135	-	-	(133)
10.558	DHS	Child and Adult Care Food Program	-	5	-	-	(5)
		State Administrative Matching Grants for the Supplemental					
10.561	DHS	Nutrition Assistance Program	21	5	-	-	16
17.225	LWFD	Unemployment Insurance-Federal	1	-	-	-	1
17.225	LWFD	Unemployment Insurance -State	-	-	-	-	-
20.205	TDOT	Highway Planning and Construction	152	11	-	-	141
84.010	Education	Chapter I Programs - Local Education Agencies	6	-	-	-	6
84.027	Education	Special Education - State Grants	-	-	-	-	-
		State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive					
84.395	Education	Grants, Recovery Act	17	-	-	-	17
93.558	DHS	Temporary Assistance for Needy Families	75	55	-	-	20
93.575	DHS	Child Care Development Block Grant	9	-	-	-	9
		Child Care Mandatory and Matching Funds of the Child Care and					
93.596	DHS	Development Fund	-	3	-	-	(3)
93.767	TennCare	Children's Health Insurance Program	6	-	-	-	6
93.778	TennCare	Medical Assistance Program	617	-	-	-	617
96.001	DHS	Social Security-Disability Insurance	-	6	-	-	(6)
			<u>\$ 915</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695</u>

NOTES:

- (1) A positive indicates a Federal interest liability.
- (2) A State interest liability is incurred from the deposit date until the funds are expended, or from the deposit date until the funds are credited back to the federal government.
- (3) A Federal interest liability is incurred from the date that funds are expended for program purposes until the date that federal funds are deposited in the State bank account.
- (4) The FY 2015 interest rate for states with a July to June fiscal year is 0.02 percent (0.0002).
- (5) There is no interest liability for amounts withdrawn from the State Benefit Account for CFDA 17.225 (Unemployment Insurance Program).

Plus Direct Cost \$ 2,756

\$ 3,451

FY 2015 FEDERAL LIABILITIES EXPECTED TO BE DENIED			
CFDA	Program	Amount	Agency
	Because all of the federal interest liabilities are less than \$5,000, no further explanation is required in the annual report. It is expected that all federal interest liabilities will be paid.		
		<u>\$ -</u>	
	* Federal interest liabilities expected to be denied were due to State non-compliance, departmental accounting errors and recording practices, or because the State agency could not provide adequate or clear documentation to support the Federal interest liability.		

EXPECTED INTEREST EXCHANGE FOR FISCAL YEAR 2015

\$ 3,451

**STATE OF TENNESSEE
EXHIBIT A - SCHEDULE OF CMIA COVERAGE
STATE FISCAL YEAR 2015**

CFDA	Federal Program	State Recipient Agency	Expenditures for Threshold Calculation (1)	Actual 2015 Expenditures
10.551	Supplemental Nutrition Assistance Program	Human Services	\$ 2,112,832,521	\$ 1,909,112,661
10.553	School Breakfast Program	Education	89,764,339	97,666,803
10.555	National School Lunch Program	Education	238,493,986	257,704,950
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Health	112,202,035	94,363,936
10.558	Child and Adult Care Food Program	Human Services	65,492,625	65,809,438
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Human Services	62,057,423	73,926,209
17.225	Unemployment Insurance –Federal Benefit Account, State Benefit Account, and Other Federal Funds	Labor & Workforce Development	788,101,014	362,402,994
20.205	Highway Planning and Construction	Transportation	982,240,728	821,275,882
84.010	Title I Grants to Local Educational Agencies	Education	285,422,132	272,144,243
84.027	Special Education--Grants to States	Education	239,854,703	234,890,922
84.395	Race-to-the-Top Incentive Grants	Education	133,087,807	72,402,639
93.558	Temporary Assistance for Needy Families	Human Services	142,687,968	120,298,724
93.575	Child Care and Development Block Grant	Human Services	100,619,930	67,851,431
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	65,710,396	54,023,599
93.767	Children's Health Insurance Programs	TennCare	156,560,190	155,462,755
93.778	Medical Assistance Program	TennCare	6,083,591,932	5,998,547,616
96.001	Social Security –Disability Insurance	Human Services	60,107,685	59,149,235
	Grand Total		<u>\$ 11,718,827,414</u>	<u>\$ 10,717,034,037</u>

Notes:

(1) Per the Cash Management Improvement Act of 1992, the threshold for reporting is determined on amounts reported in the Schedule of Expenditure of Federal Awards (SEFA) for the fiscal year ending two years prior to the fiscal year being reported. The \$60,000,000 was determined on amounts reported in the June 30, 2013 SEFA.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
STATE CAPITOL
NASHVILLE, TN 37243-9034
PHONE (615) 741-2501
FAX (615) 741-7328

January 6, 2016

Honorable John Holden, Mayor
City of Dyersburg
P.O. Box 1358
Dyersburg, TN 38025

Dear Mayor Holden:

This letter is to acknowledge the approval by the State Funding Board of the Plan of Correction proposed by the City of Dyersburg as adopted on December 7, 2015, by its governing body for its pension plan pursuant to Public Chapter 990, Acts of 2014.

The City reported to Treasurer David H. Lillard, Jr. that the Board of Mayor and Aldermen met on December 7, 2015, and approved the City's Funding Policy (pursuant to T.C.A. § 9-3-504(b)) and Plan of Correction for the City's pension plan (pursuant to T.C.A. §§ 9-3-504(c) and 9-3-505(c)). The City also adopted a Tennessee Consolidated Retirement System 401(k) plan to be offered to non-vested members, current non-participants and new hires.

The City's Plan of Correction was considered and approved as submitted at the December 21, 2015 meeting of the State Funding Board. As part of its approval, the State Funding Board requires the City to promptly furnish to the State Treasurer any financial statement or actuarial study that is completed at any time before the year ended June 30, 2020. The State Funding Board's approval also requires the City to promptly furnish to the State Treasurer any changes to its pension plan, including the results of the service sell back program that is part of the approved Plan of Correction, and any other information the State Treasurer may require.

Please note, however, that the City still needs to file its adopted Funding Policy with the Office of State and Local Finance within thirty days of its adoption.

If you should have any questions, or we may be of further assistance, please feel free to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

Cc: David H. Lillard, Jr., Treasurer, State of Tennessee
Sandra Thompson, Director of the Office of State and Local Finance, COT