



County Technical Assistance Service

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Operating Budgets

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

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Operating Budgets

Reference Number: CTAS-711

What is a budget? Why have a budget? For the person who has never worked for a governmental entity, those questions would seem legitimate; however, to the person who has been involved with governments, it would be nearly impossible to operate a government without a budget.

A budget is a method used by governments and many businesses to manage the current and future resources (cash) and to anticipate revenue to provide critical services—law enforcement, health department, education, highways, etc. This financial plan estimates the available funds to be received and the cost of providing services to the public for a 12-month period beginning July 1 and ending June 30.

There are two basic budgets that governments adopt: (1) Operating (2) Capital. A **capital improvements budget** is a finance plan to purchase or contract for capital improvements.

The operating budget includes funds (referred to as revenues) received from federal, state, and local sources, and expenditures for the various services provided by the government. The expenditures would include salaries, supplies and materials, interest and principal on outstanding debt, and other current operating expenses. This budget would be for the 12-month period referred to as a fiscal year.

In Tennessee, the three types of state laws applicable to the county financial function are **general laws**, **general laws with local option application**, and **private acts** for a specific county. Each of these are reviewed under the **Financial Structure of County Government** tab. General law also provides county charters and metropolitan government charters as an alternative structure for financial management.

Within a governmental entity, there are separate operations supervised by different elected or appointed officials. Each department may have different laws that govern the operation, and the local legislative body may have little or no power over the operation other than adopting the budget. This is the case with county governments in Tennessee; the county legislative body has no authority over any department other than to approve the budget, and even this is very limited with regard to education budgets and fee officials' budgets. This is not the case with the state legislature or a city legislative body since they can make rules and regulations and adopt budgets as they deem best.

Basic Principles of Budgeting

Reference Number: CTAS-712

The annual budget is the finance plan for a public entity to provide services to all the people in the governmental jurisdiction. Taxes and other public funds are used to provide these services. Due to the importance of this public trust in providing critical governmental services, the following guiding principles that promote a successful budgeting process have evolved over many years of experience:

1. Communications should be clear and open to all public officials and the general public.
2. Information developed should be complete and accurate. It should also be available to officials, public, and press.
3. Problems of providing services by the government should be addressed in the budget. If the problems are not solved in a reasonable manner and a reasonable time, then the solutions usually cost more when the public demands action or a higher level of government mandates expensive solutions.

Budget Process and Approaches

Reference Number: CTAS-713

The process of developing budgets depends on the availability and training of staff as well as the data processing capability of the county. In developing budgets, the operating department heads, the legislative body, and other elected officials should determine the information needed to make a reasonable decision in approving an operating budget. What problems and questions should be addressed in considering the budget? Although there are different approaches in developing budgets, as well as different types of budgets (zero basis, performance, etc), the budget type used by nearly all the local governments in

Tennessee is the line-item budget. In developing a line-item budget, counties utilize an object code approach.

A budget lists each revenue account and expenditure by department or activity with line items under each for salaries, employee benefits, contracted services, supplies and materials, capital outlay, and other operating expenses.

Chart of Accounts

Reference Number: CTAS-715

Local governments are a subdivision of state government; therefore the state has a vested interest in the operation of local governments. The state has a prescribed set of accounting codes (Chart of Accounts) in which the local governments use to budget and expense their cost of operations

In county government, each of the major operations—roads, education, and general government—operate under a separate fund maintained through the county trustees’ office. These funds are like subsidiary businesses of a holding company. Each fund has its separate accounting and budgeting system and records. A budget is approved by fund and function with a property tax rate set for each fund that needs it. Tennessee counties usually operate under the following funds:

Fund Name	Fund Number
General Fund	#101
Solid Waste/Sanitation Fund	#116
Drug Control Fund	#122
Highway/Public Works Fund	#131
General Purpose School Fund	#141
School Federal Projects Fund	#142
General Debt Service Fund	#151
General Capital Projects Fund	#171
Other Optional Funds	

[County Uniform Chart of Accounts](#)

[Department Budget by Object Code](#)

Budget Planning

Reference Number: CTAS-716

Each county government should plan, develop, adopt and manage operating budgets for the various operations. During this budget process, a forum should be established where various factions, interests, and operations are discussed, debated, and reviewed. The final product should be a budget that reflects a consensus of all the players involved. Even though conflicts cannot be eliminated, an attempt should be made to identify these potential conflicts and minimize them with a good budgeting system. It is important to develop procedures for the budgeting process.

Before January 1, time should be devoted to reviewing the current budget and beginning the budgeting process for the next fiscal year. Department heads and committees of the legislative body should meet to hear concerns relating to services and the current budget. It is very important that all interests are heard; the merits of these interests discussed; and, in the end, a consensus reached thereby ensuring a positive environment in developing the next fiscal year’s budget.

Some ideas that could be implemented during the planning time are

1. Reviewing current problems relating to services with the department heads and “brain-storming” possible solutions.

2. Attempting to solve these problems within the present budget appropriations.
3. Reviewing the present economic conditions of the county or community.
4. Determining the status of revenue estimates for the current budget by asking the following questions: (1) Are the local sales tax collections running as expected? (2) What about the property tax and other local taxes?
5. Reviewing the status of expenditure estimates. Are the estimates sufficient to provide the services planned for the current fiscal year?
6. Identifying steps the county can take to improve the prior year's process by asking (1) what information is needed? (2) how can the information be presented to help the decision-making process? (3) do the members of the legislative body and department heads have ideas for improving the budgeting process?

In order for all department heads to have time to develop the budget information needed to meet deadlines, it is imperative they be informed of the applicable budgetary timeline for the county. With the passage of Public Chapter 1080 in 2016, most counties now have the option to adopt their own budget timeline or follow the applicable statutory timeline. It is important all interested parties in the county are aware of the applicable timeline. An example of a budgeting calendar which could be adopted locally can be found here: [Sample Budget Calendar](#)

Required and Optional Services

Reference Number: CTAS-2113

The approach of each county government budget will vary based on the information needed to inform the public, legislative body, elected officials, and department heads. In deciding on the approach, the key is what information is needed to answer the following basic questions:

1. *What services are needed to meet the mandates of federal and state governments?*
2. *What services are required due to the demands of your local citizens? (See the following list of required versus optional services)*
3. *What revenues are available to fund these services?*

Required Services

Tennessee State statutes require counties provide the following services:

- Education
- Civil defense
- Courthouse, including fee officials
- Growth management policy
- Health department
- Law enforcement, including jail
- Medical examiner
- Roads and bridges
- Solid waste (convenience centers only)
- Solid waste (site for batteries, used motor oil, and tires) (If a county has an interlocal agreement with another governmental entity or contracts with a private company, this service can be waived)
- Storm water management

Optional Services

The following services are optional:

- Airport
- Ambulance service
- Animal control
- 911 system
- Fire protection
- Incinerator(s)
- Industrial development
- Mass transit
- Planning
- Port authority(s)
- Recreation
- Sewer system
- Support for non-profit/charitable organizations

- Water system
- Workhouse

After asking the basic questions mentioned above, the dialogue below usually follows:

1. What is the purpose of the program (e.g. juvenile services), service (e.g. Geographic Information System), or activity (e.g. planning)? How will the additional cost improve the service? Will the benefits from the new program or service justify the additional cost? What research is available to support the additional cost?
2. How can we communicate this problem to the public and legislative body? This is a major issue. ***The key to effective budgeting is properly communicating the problem and solution to the public and the legislative body.***
3. What will it cost to provide the services? Why must we raise taxes or increase the tax rate?
4. What information can be provided that will justify a tax increase? How do we justify the increase in personnel, salaries, capital outlay, and other operating costs?
5. Where are the funds coming from to fund the program or service? How much local funds are needed to fund the program? Will the state or federal government fund the program and for how long?

The approach to answering these questions is very important, especially if taxes must be increased. In determining the approach, the budget coordinator should think about what information he/she would want if they had to make the final decision on whether or not to raise taxes.

Key Budgeting Issues

Reference Number: CTAS-2154

The following issues should be considered when developing a budget.

Maintenance of Effort

Reference Number: CTAS-722

Tennessee Code Annotated requires certain financial mandates for local governments. Financial mandates are often referred to as “maintenance of effort” requirements. These requirements are either on local revenues or on the expenditure budget. We see these mandates for education, public safety, highways, and election commission. Maintenance of effort requirements prevent local governments from substituting state (or federal) funds for local revenues as state (or federal) funding increases. The rationale is to ensure that the additional funds provided are used for improvements or inflation, not simply to maintain spending levels previously supported by local revenue.

While not technically a maintenance of effort requirement, another financial mandate that must be considered when budgeting is the statutory minimum staffing level for the assessor's office. For more information, see [Deputies and Assistants-Assessor of Property](#).

Education MOE

Reference Number: CTAS-723

For education, “maintenance of effort” requirements differ from matching requirements in that the former do not require a minimum amount of local funds in exchange for receipt of state or federal funds, but rather prohibit reductions in local funding from one year to the next. The maintenance of effort test is a supplanting test that ensures local governments do not use state dollars in place of local dollars. This is governed by T.C.A. § 49-2-203 and § 49-3-314.

The MOE is not a one-time pass/fail test. Once the budget has been approved, the only way the MOE can be affected is through budget amendments.

The MOE test is a comparison between the new/next budget and the amended/original budget. This is used to see if MOE has been met for the new/next budget. This is a bottom line total test and does not compare each line item as a means of passing the test. *If the school system receives less than has been budgeted, the county government is not responsible for making up the shortfall.*

There are several possible scenarios that will allow the county to reduce its MOE, which are discussed under [School Budget - Maintenance of Effort](#) under the Education topic in this library.

In cases where the MOE is not met in the current budget year, the state has the option of withholding funds until the test is met. During the budget process the school MOE should be reviewed prior to passage of local budget.

Education Maintenance of Effort Tests

Reference Number: CTAS-2469

First Level - Year to Year Revenue Comparison

	2018 - 2019 Budget	2017 - 2018 Amended	2017 - 2018 Original Budget	2017 - 2018 Actual Revenue	Budget to Budget Comparison	Budget to Actual Comparison
Total County Taxes	\$13,814,445	\$13,552,115	\$13,552,115	\$ -	\$262,330	\$(13,552,115)
Total City/Special School District Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Local and State Revenue	\$1,115,199	\$1,115,199	\$1,115,199	\$ -	\$ -	\$(1,115,199)
Total Revenue	\$14,929,644	\$14,667,314	\$14,667,314	\$ -	\$262,330	\$(14,667,314)
Less Local Revenue Increases for:						
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Adjusted Revenue	\$14,929,644	\$14,667,314	\$14,667,314	\$ -	\$262,330	\$(14,667,314)

If the Budget to Budget Comparison is greater than zero, the MOE test passes.

	2018 - 2019 Budget	2017 - 2018 Amended	2017 - 2018 Original Budget	2017 - 2018 Actual Revenue	Budget to Budget Comparison	Budget to Actual Comparison
Total County Taxes	\$16,605,000	\$16,909,000	\$16,909,000	\$ -	\$(304,000)	\$(16,909,000)
Total City/Special School District Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Local and State Revenue	\$7,000	\$7,000	\$7,000	\$ -	\$ -	\$(7,000)
Total Revenue	\$16,612,000	\$16,916,000	\$16,916,000	\$ -	\$(304,000)	\$(16,916,000)
Less Local Revenue Increases for:						
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Total Adjusted Revenue	\$16,612,000	\$16,916,000	\$16,916,000	\$ -	\$ (304,000)	\$ (16,916,000)
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If the Budget to Budget Comparison is negative, the MOE test fails at First Level.

Sheriff/Law Enforcement MOE

Reference Number: CTAS-724

The county legislative body is required by law to fund authorized expenses fixed by law for the operation of the sheriff's office, including the salary of all the sheriff's deputies. T.C.A. § 8-24-103(a)(1) *State ex rel. Ledbetter v. Duncan*, 702 S.W.2d 163, 165 (Tenn. 1985) (We hold that the provision requires the county legislative body to fully fund the salaries of all deputies as set by the circuit or criminal court pursuant to T.C.A. Chapter 20 of Title 8).

The county legislative body may not adopt a budget that reduces below current levels the salaries and number of employees in the sheriff's office without the sheriff's consent. In the event the county legislative body fails to budget any salary expenditure that is a necessity for the discharge of the statutorily mandated duties of the sheriff, the sheriff may seek a writ of mandamus to compel such appropriation. T.C.A. § 8-20-120.

Highways MOE

Reference Number: CTAS-725

County highway departments are also required to meet a "maintenance of effort" for local revenues according to T.C.A. § 67-3-901(d). It states a county shall be eligible to receive those revenues to be distributed directly to it from the tax increases imposed by Acts 1985, Ch. 419, Acts 1985, Ch. 454, effective 1985, and Acts 2017, Ch. 181, only if it appropriates and allocates funds for road purposes from local revenue sources in an amount not less than the average of the five preceding fiscal years, except bond issues and federal revenue sharing proceeds shall be excluded from the five year average computation. If a county fails to appropriate at least such average amount for road purposes, then the amount of "gas tax" revenue that would otherwise be allocable to a county would be reduced by the amount of the decrease below the five year average.

[Highway certification form.](#)

Election Commission MOE

Reference Number: CTAS-726

Pursuant to T.C.A. § 2-12-209, no county receiving payments from the state for having a certified administrator of elections shall reduce the total amount appropriated to the county election commission below the total amount appropriated to the election commission in previous comparable election or non-election years.

Public Library MOE

Reference Number: CTAS-727

T.C.A. § 10-5-101 provides the foundation for local maintenance of effort for public libraries. That section includes the wording that, in order to participate in the state's multi-county regional library program, counties must make "the minimum local appropriation of funds as...required by the Secretary of State." Should a county commission decide to decrease local funding to the public library and fail in meeting MOE, the county risks losing the following benefits:

1. Professional consulting and technical assistance to library boards and staff,
2. The collection of state-owned books, DVD's, downloadable audio, and other library materials, which can range up to nearly 100% of the local library collections in small counties,
3. Access to grant funding for special projects,
4. Statistical information and other state and national data related to public library service,
5. Workshops and training for library boards and staff, and
6. Ongoing technology support for public library computer hardware and software.

Additional information concerning the benefits of meeting library MOE can be found by contacting the State Librarian and Archivist at (615) 741-7996. AG Opinion No. 08-193 on MOE: State Grants for Libraries and Emergency Communications Boards.

Recurring Revenues and Expenditures

Reference Number: CTAS-742

If an expenditure will continue each year, will the revenue source to fund the expenditure continue? Often programs are added that require recurring expenditures, but the revenue source is terminated. Therefore, there should be a clear understanding that whenever a new program is added and it is partially or fully funded from non-local tax sources, the program will be terminated or funded from the property tax when the funding source is stopped. The best examples of this problem are when recurring expenditures are funded by non-recurring revenues such as federal grants, federal revenue sharing funds, state grants, or from the undesignated fund balance.

POLICY RELATIVE TO TERMINATED STATE & FEDERAL GRANTS

What is the policy of the county relative to continuing the service when a federal or state grant is terminated? A policy should be established for each grant whenever it starts relative to the continuation of the service if and when the grant funds are terminated.

Recommended Practice: Develop a policy on dealing with grant funds or projects that may not have future revenue to support the programs.

Three-Star Program

Reference Number: CTAS-2156

Developed in 1980, the Three-Star Program is designed to help communities take full advantage of economic development opportunities. The goals are to preserve existing employment, create new employment opportunities, increase Tennessee family income, improve quality of life, and create a strong leadership base. Participating communities are guided through a comprehensive plan of essential criteria developed by local economic development professionals and a cooperative collaboration of various state and regional agencies.

Participation in the Three-Star Program is based on an annual evaluation and activity plan. Local community leaders and Joint Economic and Community Development Boards are encouraged to implement activities that will impact the community's competitiveness in a global economy. Participating counties (and cities in these counties) will be eligible for a four percent discount (for eligible projects) on both the business development and community development ability-to-pay calculations (CDBG and Fast Track) each year the county fulfills the requirements of the Three-Star Program. Additionally, only cities located in a county that is an active participant in the Three-Star Program will be eligible to participate in the Tennessee Downtowns program. Finally, there is an annual grant for Tier 2 and Tier 3 counties to serve as seed money for activities (not to offset general operating expenses) focused on improving at least one of the measured areas of the program: health and welfare, public safety, and education and workforce development.

Each year, ECD will provide participating counties with a scorecard that documents progress indicators in the five focus areas. The scorecard and activity plan is designed to assess and reward each county on its unique progress in the three scored areas identified in their Three-Star Activity Plan.

Fiscal Strength and Efficient Government

1. Annual budget adopted on time and filed with the Comptroller's Office by October 15.
2. Create and maintain an audit committee. Click here to download [How to Create and Maintain an Audit Committee](#).
3. Review and sign the Fiscal Strength & Efficient Government Annual Confirmation letter. Click here to download the [Annual Confirmation letter](#).
 - County commission and county mayor annual review of the debt management policy.

- Annual acknowledgement by county mayor and county commission that an annual cash flow forecast must be prepared and submitted to the Comptroller prior to issuance of debt.

Budget Development

Reference Number: CTAS-717

Policies and procedures should be developed and provided to officials responsible for developing and implementing the operating budget. These procedures should include instructions for the various steps of the fiscal year budgeting process. All policies and procedures should be established and implemented in accordance with the applicable budgetary timeline for the county (either locally adopted or statutory). For those counties operating under general law, it is highly recommended that the legislative body establish a budget committee. A good budget committee model can be found in the County Budgeting Law of 1957 or the Financial Management Act of 1981.

Recommended Practice: If your county is not required to have a Budget Committee, it is recommended that one be established to help in the developing, approving and monthly monitoring of your county budget.

The following steps will provide some ideas for procedures to be developed by the government officials and the legislative body:

1. **General Budget Information**—This step should include information about the status of the current budget and any problems relating to it, including revenue and expenditure deficiencies and/or service inadequacies.
2. **Review all Current and Proposed Special Revenue Funds**— GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, went into effect in the fiscal year ending June 30, 2011. This Statement, among other things, restates the definition of the different types of governmental funds. Management should analyze every current and proposed governmental fund to ensure each fund meets the criteria to be a separate fund. If a fund no longer meets the criteria to be a separate fund, then the fund should be closed and its activity budgeted in the county general fund.
3. **Budget Preparation Instructions**—General instructions should explain the process for preparing the department/activity budget including revenue and expenditure estimates and statistical data relating to the service provided by the department.
4. **Presentation of the Budget**—A presentation schedule is then developed and distributed to the various officials and department heads. This schedule should identify the time and date their budget requests can be presented to the legislative body.
5. **Review, Analysis and Recommendations by the Committee**—After the budget has been submitted to the appropriate finance/budget committee, it is then the responsibility of the committee to do the following: (1) review and evaluate the budget, (2) meet with department heads and elected officials, if needed, and (3) make recommendations to the county legislative body.
6. **Review by the County Legislative Body**—Upon receiving the budget document and recommendations from the committees, the legislative body deliberates on the budget and considers the following: (1) fund balance(s), (2) revenues, (3) expenditures, (4) services, and (5) proposed tax rate. As discussion of these items may involve considerable time, the county legislative body often schedules work sessions for these deliberations.
7. **Priorities and Alternatives**—If the budget must be reduced, what procedures will be used to set priorities and evaluate alternatives to provide adequate services?
8. **Consolidation of Budgets and Preparation of Resolutions**—Before final adoption, procedures should be prescribed for consolidating all the budgets into a budget document. The county legislative body will review the submitted departmental budgets and requests for assistance, combine them into one county budget, and approve a budget for the fiscal year that begins July 1 and ends June 30. Also, the proper resolutions for adopting the budget and setting tax rates should be prepared.

Budget Handbook and Forms

Due to the importance and time involved in adopting budgets, it is highly recommended that the various department heads and members of the legislative body develop a budget handbook or guide. This handbook would be in the form of a policy manual and would be maintained on a current basis. Since the budget is a written financial plan for providing governmental services, it is extremely important that the budget document and supporting data be complete and accurate in order to communicate the needs of

the department and local government. New employees, department heads, and other elected officials would have a guide to follow, and each year modifications could be made to reflect changes and improvements of the process. The end result would be fewer conflicts and more improvements in providing services, rather than the mistrust that has evolved in many local governments.

Sample budget handbook.

Using the forms provided by the budget coordinator, departments should complete the documents with accurate information. Also, if the forms do not adequately present the needs of the department, supplementary schedules or information should be added to the standard forms. Though it may not seem to be of utmost importance relating to budgets, communication is at least the second greatest problem in adopting annual budgets. The use of appropriate forms and supplementary schedules can assist in keeping budgetary communications clear.

Recommended Practice: Develop a Budget Handbook

Recommended Practice: Develop a series of budget forms to collect budget information.

Recommended Practice: Develop budget forms for the budget amendment process.

Budgeting Formula, Fund Balances, Revenues and Expenditures

Reference Number: CTAS-729

A best method for projecting fund balances and reserves for the current fiscal year (which will be used as the beginning balances for the next fiscal year), is shown as follows:

Available fund balance (*from previous audit*)
 + Estimate adjusted current year revenues
 = Total estimated available funds
 - Estimate adjusted appropriation (*expenditures*)
 = Estimate current year ending fund balance

NOTE:

* The effect of legally restricted funds (beginning plus revenues) minus expenditures should be considered.

One should examine every line-item revenue and expenditure account. Each should be reviewed and adjusted to reflect the current budgetary conditions. After making these calculations, there will be a better understanding of the current budget and the best estimates of the beginning balances.

This formula calculates an ESTIMATE only. The calculation may or may not take into consideration reserves and designated fund. The calculation should be performed periodically during the development of the budget.

Sample of a fund balance formula.

Recommended Practice: Periodically during the budget development process, estimates should be prepared to reflect the projected ending fund balance. This calculation should be for each fund.

Use of Fund Balances

Reference Number: CTAS-743

Sometimes a government accumulates a rather large fund balance, usually because a new tax is added and amounts received exceed the original estimate. When this happens, should taxes be lowered? Should the excess fund balances be used to prevent a tax increase the next fiscal year? Or, should these funds be held for future emergencies or new services? Often, a government will use these funds to prevent a tax increase for the immediate fiscal year; but when this action is taken, greater pressure results for the next fiscal year because these funds must be replaced with new taxes. Usually property taxes and additional taxes must be raised to cover the increased costs due to inflation. One idea is to spread the use of the fund balance over a 3 to 5 year period so that growth in other revenue sources might relieve the pressure; or the funds could be used for non-recurring expenditures such as capital improvements or

equipment. An alternative use of excess fund balance would be the establishment or additional funding of capital improvement plan/project/budgets.

To develop a fund balance policy, determine

1. What an optimal fund balance should be for each fund.
2. Uses for the fund balance.
3. Steps to reach the optimal fund balance.
4. How the fund balance should be used if the balance is greater than needed.

GASB Statement 54 encourages counties with fund balance policies to place these policies in writing and formally adopt them. Additionally, surplus funds should not be placed in separate “rainy day” special revenue funds. These funds do not meet the criteria to qualify as a special revenue fund as defined by Statement 54. The Statement defines excess funds that are held for potential revenue shortfalls or unexpected expenditure needs as “stabilization arrangements” and the use of such stabilization arrangements is seen as a positive indicator of a government’s fiscal management philosophy. County management should place stabilization funds in the county general fund and commit this portion of the fund balance by formal action of the county commission (i.e. resolution).

Recommended Practice: Develop a **fund balance policy**

Estimating Revenues

Reference Number: CTAS-730

A common method for projecting the next fiscal year’s estimates is to take the current year’s eight or nine months actual, divide by the number of months, and multiply by 12 for a full year’s estimate. This method assumes that the estimated three or four months’ average will be the same as the actual months of receipts. However, very few revenues follow an average, constant pattern. The operating budget includes revenues from many sources (local, state, and federal). To be more accurate in preparing estimates, the budget coordinator should review each revenue separately, and use a different method to project each revenue. The following two methods are suggested for the various revenue sources.

1. Revenue Estimates Based on Precise Factors. Revenues from the state and federal governments for specific or earmarked purposes are based on precise factors; therefore, each revenue source must be individually calculated based on these factors. Below are the revenue sources included in this category.

- State grants
- State reimbursements
- State educational payments
- Federal educational payments
- Federal grants
- Contracts with other local governments and citizen

2. Revenues That Fluctuate Monthly. This group of revenue fluctuates monthly based on the economy, collection procedures, or legally required payment deadlines. A best method to estimate revenue is to (1) compare the current year’s receipts for the same period of time for the previous year, (2) calculate the percentage increase or decrease, and (3) apply this percentage change to the uncollected months. The sum of this year’s actual plus the projected uncollected months will provide a reasonable estimate for the current year. For estimating next year’s receipts, use the current year’s revised estimates and add or decrease using your best judgment. The revenue sources which best fit this group are—

- Current property taxes
- Delinquent property tax
- Litigation taxes
- Pick-up taxes
- Interest and penalties on property tax
- Business taxes
- Local option sales tax
- Wholesale beer tax
- Hotel/motel tax
- In-lieu of tax payments
- License and permits
- Wheel tax
- Fines
- State beer tax

- State alcoholic beverage tax
- State gas and fuel taxes
- State mixed drink tax
- Charges for current services
- Ambulance charges
- Fees in-lieu of salary or excess fees collections
- Other similar revenues

Estimating Expenditures

Reference Number: CTAS-731

An approach to estimating expenditures for the next year is to recalculate the current year's budget in January or February using the most recent information. While recalculating the current budget, a detailed analysis of cost elements for each account should be maintained and used for estimating next year's expenditures. Using this budget analysis, expenditure estimates for the next fiscal year other than salaries and capital outlay needs can be calculated adjusting for changes in economy, etc.

Salary estimates should be projected using the percentage adjustment or changes in salary schedules based on the changes in the number of employees. Some jurisdictions figure what a one percent increase will cost and make any adjustment to all budgets upon deciding what a reasonable increase is.

Estimates for capital outlay needs should be based on projected needs and estimated costs for the next fiscal year.

If increases are requested in expenditures, clear and accurate justification should be presented with the budget document.

Factors When Developing Budget

Reference Number: CTAS-2155

Once an optimal fund has been achieved then it is a recommended practice that government's establish a budget that will maintain the fund balance.

The GFOA states that the minimum fund balance should be "no less than two months of regular general fund operating revenues or regular general fund operating expenditures."

Strongly recommended that the county establish a minimum fund balance in the debt service funds of at least 6-13 months of expenditures.

GASB Statement requires a written adopted minimum fund balance policy if the county is maintaining a minimum fund balance.

Over-estimating revenues and under-estimating expenditures will jeopardize the financial condition of the local government.

If your county has gone through reappraisal confirm with the property assessor on the value of the penny and the certified tax rate. Also, confirm with the trustee on the percentage of prior year collections

Balancing Budget with Property Tax

Reference Number: CTAS-721

Whenever the estimated expenditures exceed the estimated available funds, the property tax rate must be increased or expenditures reduced. The property tax rate must be used to balance the budget because it is the only tax rate that the local government has complete authority to set. Therefore, it is very important that each local government official understand how the property tax revenue source is calculated.

1. Property Assessments Subject to Property Taxes. The county assessor of property determines the assessed values for all property except public utilities, which are determined by the Office of State Assessed Properties. There are two types of assessments: (1) real property and (2) personal property.

The real and personal property are applied to four classifications of property: (1) commercial and industrial, (2) residential, (3) farm, and (4) public utilities.

In determining property assessments, a summary calculation could be made using the following form:

Property Assessments	Real	Personal	Total
Commercial and Industrial			
Residential			
Farm			
Public Utilities			
Total			

Assessment Summary Example

Calculation of Property Tax Estimate

Sample property tax collection considering a variance factor

Budget Adoption

Reference Number: CTAS-2116

Hearings—Before final adoption of the budget, the law requires that the proposed annual operating budget be published in a newspaper of general circulation in the county no later than five days after the budget is presented to the county legislative body, if the newspaper is published daily. If such newspaper is published less than daily, then it must be published in the first edition for which the deadline for such publication falls after the budget is presented to the county legislative body. A county may also publish the proposed annual operating budget on the county’s web site, which will be accessible to the public on the day the budget is presented to the county legislative body. The budget cannot be adopted until at least 10 days after publication. The annual operating budget must contain a budgetary comparison for the following four governmental funds: general, highway/public works, general purpose school fund, and debt service (T.C.A. § 5-8-507). [Sample newspaper notice.](#)

Adoption—Any specific procedures for adopting the budget should be explained in the adopted rules of procedure of the county legislative body.

Requirements for an adopted budget

- Appropriation resolutions (T.C.A. § 9-21-403(b))
- Tax levy resolutions (T.C.A. § 9-21-403(b))
- Non-profit resolutions (does not affect schools)
- Notice in newspaper (put in newspaper by central finance) (T.C.A. § 5-8-507(c))
- Capital outlay note/bond note resolution (not required during the budget)
- Notify state director of local finance of approved budget (T.C.A. § 9-21-403 (c))

Other forms used in the budget process

- Budget preparation form
- Budget preparation form/personnel
- Letter of agreement
- Summary by fund account
- Operation of fund/fund balance
- Statement of estimated revenues from current property taxes
- Maintenance of effort test, schools
- Highway Certification Form

Continuation Budgets

Reference Number: CTAS-2199

2015 Public Chapter 170 amended T.C.A. §§ 5-9-404, 5-12-109, and 5-21-111 to provide that if a local fiscal body fails to adopt a budget by July 1, the operating budget and appropriation resolution for the preceding fiscal year will continue in effect without any further action by the body until a final operating budget is adopted. While the continuation budget is in effect, no agency or entity receiving county funds can encumber funds in any month in excess of the allotment for a comparable month in the preceding fiscal year without county legislative body approval. Any such approval must include a corresponding funding source to cover the excess expenditures.

The Comptroller's office has provided the following Guidance with regard to their approval of continuation budgets:

GUIDANCE FOR COUNTY CONTINUATION BUDGETS AND EXTENSIONS PURSUANT TO PUBLIC CHAPTER 170, ACTS OF 2015

Counties budgeting pursuant to the General Law, County Budgeting Law of 1957, and Financial Management Act of 1981 may continue operations within the appropriations of the prior fiscal year if the county legislative body (the "CLB") has not adopted an appropriation resolution for its current fiscal year by June 30th. Public Chapter 170, Acts of 2015. No action is required by the CLB to adopt a continuation budget if the budget is adopted prior to August 31st. An agency of a county, or other entity that receives county monies, can spend no more than the amount spent in the same month of the prior fiscal year while operating under a continuation budget. A county can amend a continuation budget according to the procedures for amending a final operating budget. A county must amend its continuation budget to provide for the payment of debt service and court-ordered expenditures. A final operating budget for each fiscal year must be adopted no later than August 31st. Under extraordinary circumstances, a county may request approval from the Office of State and Local Finance (OSLF) to adopt a continuation budget approval resolution that extends its prior fiscal year appropriation authority through September 30th.

Continuation Budget Extension

There are extraordinary circumstances that may justify an approval from OSLF to extend the county's continuation budget authority until September 30th. The following circumstances would not meet requirements for approval of a continuation budget extension:

- Inability to reach a consensus on either the appropriation or property tax levy
 - School Board not submitting a complete budget within 45 days of the date of final budget adoption by the CLB as required by State statutes
 - Property reassessment
 - Election year
 - Financial statements not audited
- To request an approval for an extension, the following steps need to be followed:
- Submit a request letter from the County Executive/Mayor on or before August 15th which includes:
 - A statement that the county is in compliance with the balanced-budget law,
 - An explanation of the extraordinary circumstances that necessitated the request for continuance,
 - Whether these circumstances have occurred before, and, if so, how often.
 - The county may be asked to provide additional information concerning its situation to obtain approval. OSLF will respond to the CLB indicating approval of its request within seven (7) days after the receipt of the request and any supplemental documentation.

The CLB should set and properly advertise a meeting at which either a continuation budget extension resolution can be adopted or the appropriation resolution for its current fiscal year can be adopted. If the extension of a continuation budget is approved, the CLB must adopt the county's appropriation resolution and tax levy resolution by September 30th. A county will not have authority to spend money after September 30th without an adopted budget. Adopting a budget and tax levy in September may delay the collection of taxes until after the property tax due and payable date of the first Monday in October.

Final Operating Budget Requirements

The CLB needs to take into account the following in determining when it will adopt the appropriation and tax levy resolutions:

- The appropriation and tax levy resolutions the CLB adopts and supporting documentation for the budget must be submitted to OSLF for approval. State law requires a complete and proper budget be submitted immediately upon adoption.
- State law requires a county school system to submit a complete and certified copy of its entire budget to the Tennessee Department of Education (TDE) within 30 days after the beginning of the fiscal year.
- Property taxes are due and payable on the first Monday in October.
- If the CLB adopts an unbalanced budget or one with insufficient monies appropriated for the payment of debt service, the Comptroller may direct that the appropriation resolution be amended to reduce expenditures or that the tax levy resolution be amended to increase the property tax levy.
- If the CLB does not adopt a budget in a timely manner, a county will not have any spending authority after the continuation budget deadline of August 31st or after the continuation budget extension deadline of September 30th.
- The CLB needs to adopt a budget in a timely manner so that its school system may be able to report a complete and certified school budget to TDE by the final reporting deadline of October 1st in order to maintain its eligibility to receive state school funds.

Budget Management

Reference Number: CTAS-733

Not only is a good accounting system necessary to comply with state law, but it also is imperative for creating credibility with voters, taxpayers and government officials.

A uniform, double entry, encumbrance, budgetary accounting system should be the goal of each local government. With today's affordable computers, the accounting system should be maintained on a current basis with monthly reporting provided to each member of the legislative body and department heads. Reports should be reviewed by various officials monthly since they serve as a deterrent to poor record keeping, dishonest acts, and inaccurate information.

County governments should encumber purchase orders and contracts against the budget upon the issuing of such documents. By posting purchase orders to the accounting system, a person could determine the budget balance at any time. This information becomes useful when one wants to charge new obligations upon the account.

Amendments

Reference Number: CTAS-734

After the original budget is approved, the county legislative body may not make transfers between the major funds, such as school, highway, general, and debt service, but it may make budget amendments within funds during the course of the fiscal year. T.C.A. § 5-9-407. Timely revisions must be made because of the ever-changing factors that make up a budget. Factors that influence decisions are (1) state and federal government programs that are added or terminated; (2) emergencies; and (3) higher cost items than originally estimated. When changes take place, the budget should be amended. These amendments should be made prior to any expenditure of funds, unless there is an emergency that could affect the health or safety of the public or employees.

Once the budget has been adopted, the budget, including line items and major categories, may be amended by majority vote of the county legislative body under T.C.A. § 5-9-407(b).

There are two alternative methods for amending line items within a major category upon the written request of an official or department head. Under the first alternative, amendments to line items, except those affecting personnel costs or those affecting the administrative costs of the county legislative body, may be approved in writing by the county mayor under T.C.A. § 5-9-407(d)(1) and if the mayor fails to approve the request, either the budget committee or the county legislative body may approve it. The second alternative allows any line item amendment including personnel costs, and these requests are approved by the budget committee under T.C.A. § 5-9-407(d)(2); if the budget committee fails to approve the request, the county legislative body may approve it but the county mayor cannot. Amendments made by either alternative method must be reported to the county legislative body. These alter-

native methods cannot be used to approve an amendment that already has been rejected by the county legislative body.

It is recommended that budget amendments be presented to the legislative body or budget committee at least five working days before the meeting.

Under T.C.A. § 5-9-407(b)(3), the county legislative body has 40 days from the time it receives a proposed budget amendment from the local board of education to either approve or reject the amendment. This requirement does not apply to Davidson, Hamilton, Knox or Shelby counties.

Recommended Practice: County commission should allow authority in the appropriation resolution to move funds within a department (except salaries) with department head or county mayor approval. Budget amendment forms vary from county to county. Check with your county mayor, budget director, or finance director.

If your county operates under the Local Option Budgeting Law of 1993, amendments to major categories may be made with the approval of the county mayor or mayor’s appointed committee and a majority approval vote of the county legislative body. In addition, if the mayor or mayor’s appointed committee declines the major categories amendments or fails to take action on the amendment within 7 calendar days after written submission of amendment to mayor, then such amendment may be subsequently approved by 2/3 vote of the county legislative body. Please see [Public Chapter 697](#) for more information.

Recommended Practice: Check your financial management/budgeting law. Also, some counties are exempt from T.C.A. § 5-9-407. We recommend that you check the statute to be sure it applies in your county.

Allotments and Impoundments

Reference Number: CTAS-735

If the local government operates under the Acts of 1957, 1981, or private act, the legislative body can place departments on quarter allotments or impound funds in case of a financial crisis. If the local government operates under the general law, there is no provision for such allotments or impoundments. However, the legislative body could pass a resolution requesting the department or departments reduce their spending of budget appropriations so that they do not exceed anticipated available funds. Another possibility is to pass a resolution reducing the budget appropriations and directing the department or departments not to exceed the revised anticipated available funds.

Operating Budget Resource Materials

Reference Number: CTAS-2080

[Sample Letter of Agreement](#)

County Budget Laws

Reference Number: CTAS-2114

Charters

Shelby	Charter
Knox	Charter
Davidson	Metro Charter

Moore	Metro Charter
Trousdale	Metro Charter

1957 Act

Blount	Schools Included
Cheatham	Schools Excluded
Cocke	Schools Excluded
Dickson	Schools Excluded
Greene	Schools Excluded
Jackson	Schools Excluded
Johnson	Schools Included
Lawrence	Schools Excluded
Loudon	Schools Included
Montgomery	Schools Excluded
Overton	Schools Excluded
Roane	Schools Included
Washington	Schools Excluded
Williamson (with 1990 Budget Law)	Schools Excluded

Private Acts

1981 Act

1993 Law

Benton	Anderson	Decatur
Dyer	Bedford	DeKalb
Gibson	Campbell	Hardin
Grainger	Cannon	
Hardeman	Carter	
Henry	Claiborne	
Marshall	Cumberland	
Maury	Fentress	
McNairy	Franklin	
Meigs	Giles	
Rutherford	Henderson	
Sullivan	Hickman	
Sumner	Jefferson	
	Lincoln	
	Madison	

- McMinn
- Monroe
- Morgan
- Rhea
- Robertson
- Scott
- Union
- Warren
- Weakley
- White
- Wilson (excludes schools)

¹ All other counties are under general law budgeting provisions.

Department Budget by Object Code

Reference Number: CTAS-2081

Department Budget by Object Code

Expenditures

55130 Ambulance

105	Supervisor/Director	42,000
162	Clerical Personnel	21,000
164	Attendants(EMT, PM)	504,000
196	In-service Training	3,400
201	Social Security	45,747
204	State Retirement	10,325
207	Employee Insurance	54,000
210	Unemployment compensation	8,372
307	Communication	10,700
308	Contracts w/Quality Care	20,000
320	Dues and Memberships	200
332	Legal Notices, Court Cost	3,000
333	Licenses	2,300
335	Maint/Repair/Building	10,000

338	Maint/Repair/Vehicles	10,000
340	Medical & Dental Services	1,000
348	Postal Charges	1,000
355	Travel	1,000
359	Disposal Fees	1,000
399	Contracted Services	6,000
410	Custodial Supplies	3,600
411	Data Processing Supplies	3,000
412	Diesel Fuel	18,000
413	Drugs & Medical Supplies	42,000
415	Electricity	7,500
434	Natural Gas	2,800
435	Office Supplies	1,000
450	Tire and Tubes	5,400
451	Uniforms	7,000
454	Water and Sewer	1,700
499	Other Supplies (linens)	8,000
502	Building and Contents Insurance	3,500
506	Liability Insurance	6,200
510	Trustee's Commission	13,372
511	Vehicles & Equipment Insurance	10,700
513	Workers' Comp. Insurance	36,870
708	Communication Equipment	10,000
709	Data Processing Equipment	16,700
711	Furniture & Fixtures	3,700
718	Motor Vehicles	184,000
735	Health Equipment	72,600
	 Total Ambulance Service	 1,212,686

Sample Budget Calendar

Reference Number: CTAS-718

SAMPLE BUDGET CALENDAR

_____ County

For the Fiscal Year 20__

PHASE ONE: *Adoption of Budgeting System*

Dates	Responsibility	Procedures or Action To Be Taken
November 1–January 1	Committee & Department Heads	Develop procedures, budget forms and budget calendar
January 2–31	CountyLegislativeBody	Adopt budgeting process
February 1	Budget Coordinator	Transmit budget instructions, related statistical data, procedures, forms, and budget calendar to all department heads responsible for preparing the department’s budget

PHASE TWO: *Departments Prepare Budgets*

Dates	Responsibility	Procedures or Action To Be Taken
February 1	Department Heads	Prepare information for proposed budget
April 1–10	Department Heads	Provide complete information to budget coordinator
April 1	Budget Coordinator	Assemble information for presentation to county legislative body
April 10–15	Operating Department Heads	Present budgets to county legislative body

PHASE THREE: *Review, Analysis and Recommendations*

Dates	Responsibility	Procedures or Action To Be Taken
April 15	CountyLegislativeBody	Review budgets with department heads
May 15	Budget Committee	Analyze budgets; review alternatives and priorities as to funding and expenditures; prepare recommendations
May 15–30	Budget Coordinator	Prepare consolidated budgets and recommendations

PHASE FOUR: *Review of Budget by County Legislative Body*

Dates	Responsibility	Procedures or Action To Be Taken
June 1–20	CountyLegislativeBody (CLB)	Review budgets
June 20–30	CLB	Negotiate budget changes and hold budget hearings
July 1 - August 31	CLB	Adopt budget

PHASE FIVE: *Preparation and Dissemination of Adopted Budgets*

Dates	Responsibility	Procedures or Action To Be Taken
June 30 - August 31	Budget Coordinator	Prepare adopted budget in printed form; disseminate budgets to department heads as their authority to receive and expend funds

Recommended Practice: Develop a Budget Calendar

Sample Budget Handbook

Reference Number: CTAS-2083

Budget Handbook

_____ COUNTY, TENNESSEE
 BUDGET PREPARATION INSTRUCTIONS
 FISCAL YEAR 20__ - 20__

Instructions-Budget Form A

Budget Form A (General Budget Preparation Form) is provided for each department or function within a fund. Already listed on the form will be the actual expenditures for FY 20__-__, current approved Budget FY 20__-__ and expenditures through 20__-__ for each line item (object code) within the department budget. Based on the information provided in columns (1), (2) and (3); along with current knowledge, you (official/department head) are requested to make an accurate projection of the Total Expenditures for FY 20__-__ and list them by line item under column (4). Due to the need to determine accurate year-end balances it is very important that your expenditure projections be as accurate as possible. Refer to Budget Form B for information in making projections relating to "Salary" and "Compensation" line items.

After completing column (4) "20__-__ Projected Expenditures:", review each of the line items, one by one, and calculate the required amount to be proposed for the Budget Year 20__-__. Enter these amounts by line item in column (5) "20__-__ Proposed Budget". For salary and compensation line items, refer to the guidelines in the Budget Transmittal Letter and the instructions for completing Budget Form B prior to entering any figures on Form A. The total to be entered for each "Salary" line item on Budget Form A will be taken from the "FY 20__-__ Proposed Total Annual Compensation" column (8) of Budget Form B.

After completing the information required on Budget Form B and transferring the figures to the appropriate line items in column (5) of Budget Form A, please calculate the increases or decreases over FY 20__-__ approved budget [column (5) minus column (2)] and then list the difference under column (6) or (7). Increases for compensation, utilities, postage, supplies and other increases should be listed under column (6). Increases relating to new programs or expansion of existing programs should be listed under column (7) and explained on the attached separate sheet.

Instructions-Budget Form B

Budget Form B (Budget Preparation Form/Personnel) is provided for each line item of a department or function with budgeted salaries or compensation for the Fiscal Year 20__-__. For assistance in preparing your budget, information is provided in column 2 through 5 relative to job title, employee name, current hourly, bi-weekly, or monthly rate and total annual compensation of each employee. The information listed in column (4) and (5) will include any experience/longevity step increases received by the employee to date. The totals for each account code for FY 20__-__ may not agree with the budgeted amount on Budget Form A for various reasons, although it does reflect the current levels of salary being charged. This will be your starting point for developing the proposed compensation for FY 20__-__ to be entered in column (8). Any new positions to be proposed will require information to be listed under column (2) – "Job Title", column (6) – "FY 20__-__ Proposed Annual Base" and column (8) "Proposed 20__-__ Total Annual Compensation". For any listed position that will not be filled in the fiscal year 20__-__ please write delete in column (8).

Refer to the attached Budget Transmittal Letter for guidelines to calculate proposed FY 20__-__ compensation amounts. The proposed rate for cost-of-living increases will be listed under section B. The first step will be to calculate the fiscal year 20__-__ annual base for each employee to be entered into column (6). The total of the amounts entered in this column should not exceed the FY 20__-__ Salary Budget plus the cost-of-living percentage. The department head/elected official will have the discretion to increase each employee the cost-of-living percentage (column 5 x cost-of-living percent) or to allocate the cost-of-living percentage pool based on the performance or some other basis.

The second step will be to add the amount entered in column 6 to the longevity/experience amount listed in column 7 to arrive at the Total Annual Compensation that you will list under column 8. Column 9 may be filled in if you desire, although it is not mandatory.

Sample Newspaper Notice

Reference Number: CTAS-2084

Notice for Newspaper

_____ County, Tennessee
Proposed Budget
For the Fiscal Year Ending 20__

	Actual 20__-__	Estimated 20__-__	Estimated 20__-__
General Fund			
<u>Estimated Revenues & Other Sources</u>			
Local Taxes	\$1,434,942	\$1,678,558	\$1,732,457
State of Tennessee	693,206	1,177,386	877,680
Federal Government	451,309	114,910	290,000
Other Sources	616,810	70,200	525,023
Total Estimated Revenues & Other Sources	\$3,196,267	\$3,041,054	\$3,425,160
 <u>Estimated Expenditures & Other Uses</u>			
Salaries	\$1,401,490	1,492,701	1,536,429
Other Cost	1,557,051	1,357,786	1,166,234
Total Estimated Expenditures & Other Uses	\$2,958,541	\$2,850,487	\$2,702,663
 Estimated Beginning Fund Balance-June 1	 \$599,926	 \$837,652	 \$1,028,219
Estimated Ending Fund Balance-June 30	\$837,652	\$1,028,219	\$1,750,716

Employee Positions	50	51	53
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Highway/Public Works DepartmentEstimated Revenues & Other Sources

Local Taxes	\$25,540	\$21,668	\$18,000
State of Tennessee	1,445,823	1,498,188	\$1,530,181<
Federal Government	530,951	124,395	-
Total Estimated Revenue & Other Sources	\$2,002,314	\$1,644,251	\$1,548,181

Estimated Expenditures & Other Uses

Salaries	\$378,393	\$370,216	\$521,021
Other Cost	\$1,526,188	957,615	\$1,037,306
Total Estimated Expenditures & Other Uses	\$1,904,581	\$1,327,831	\$1,558,327

Estimated Beginning Fund Balance-June1	\$171,303	\$269,036	\$585,456
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Estimated Ending Fund Balance-June 30	\$269,036	\$585,456	\$575,310
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Employee Positions	18	18	23
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General Purpose School Fund

Estimated Revenues & Other Sources

Local Taxes	\$1,384,227	\$1,350,361	\$1,307,000
State of Tennessee	6,823,514	7,019,232	7,085,385
Federal Government	141,262	144,897	148,406
Total Estimated Revenue & Other Sources	\$8,349,003	\$8,514,490	\$8,540,791

Estimated Expenditures & Other Uses

Salaries	\$5,407,698	\$5,650,875	\$5,941,797
Other Cost	2,901,982	3,012,356	3,317,194
Total Estimated Expenditures & Other Uses	\$8,309,680	\$8,663,231	\$9,258,991

Estimated Beginning Fund Balance-June1	\$1,226,002	\$1,265,325	\$1,116,584
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Estimated Ending Fund Balance-June 30	\$1,265,325	\$1,116,584	\$398,384
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Employee Positions	229	334	340
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Debt Service FundEstimated Revenues & Other Sources

Local Taxes	\$386,756	\$373,995	\$460,765
Other Sources	330,372	315,664	317,450

Total Estimated Revenue & Other Sources	\$717,128	\$689,659	\$778,215
 <u>Estimated Expenditures & Other Uses</u>			
Debt Service Cost	\$757,535	\$806,018	\$799,111
Estimated Beginning Fund Balance-June 1	\$209,585	\$169,178	\$52,819
Estimated Ending Fund Balance-June 30	\$169,178	\$52,819	\$31,923

Requirements for an Adopted Budget

Reference Number: CTAS-2085

The Comptroller of the Treasury sends out an Annual Budget Memo that includes the forms and procedures required for county budget appropriation resolutions. Counties are required to submit their budget with required supporting documents to the Office of State and Local Finance (OSLF) within 15 days of adoption. The Comptroller's letter states that "The county and its officials, by submission of their budget to OSLF, represent that their annual operating and capital budget as adopted is realistic and in compliance with all federal, state or local statutes for specific programs." Counties that submit a budget with incorrect information may be required to submit monthly reports to OSLF.

[Office of State and Local Finance](#)

[2020 Annual Budget Memo](#)

Appropriation Resolution

Reference Number: CTAS-2086

A RESOLUTION MAKING APPROPRIATIONS FOR THE VARIOUS FUNDS, DEPARTMENTS, INSTITUTIONS, OFFICES AND AGENCIES OF _____ COUNTY, TENNESSEE, FOR THE YEAR BEGINNING JULY 1, 20__, AND ENDING JUNE 30, 20__

SECTION 1. BE IT RESOLVED by the Board of County Commissioners of _____ County, Tennessee, assembled in regular session on the ___ day of July, 20__, that the amounts hereafter set out are hereby appropriated for the purpose of meeting the expenses of the various funds, departments, institutions, offices and agencies of _____ County, Tennessee, for the capital outlay, and for meeting the payment of principal and interest on the county's debt maturing during the year beginning July 1, 20__, and ending June 30, 20__, according to the following schedule:

<u>GENERAL FUND</u>		
51100	County Commission	\$93,275
51210	Board of Equalization	2,575

51220	Beer Board	2,700
51230	Budget and Finance Committee	3,675
51300	County Mayor	206,422
51500	Election Commission (Including Voter Registration)	217,939
51600	Register of Deeds	195,252
51710	Development	20,000
51730	Building	135,128
51800	County Buildings	893,862
51900	Other General Administration	106,564
52300	Property Assessor's Office	226,173
52310	Reappraisal Program	80,803
52400	County Trustee's Office	46,539
52500	County Clerk's Office	32,960
53100	Circuit Court	435,120
53300	General Sessions Court	117,578
53400	Chancery Court	181,403
53500	Juvenile Court	202,294
54110	Sheriff's Department	1,983,068
54210	Jail	958,380
54310	Fire Prevention and Control	193,862
54410	Civil Defense	211,956
54420	Rescue Squad	10,000
55110	Local Health Center	222,400
55130	Ambulance/Emergency Medical Services	180,000
55170	Alcohol and Drug Programs	6,400
55190	Other Local Health Services	98,500
55720	Sanitation Education/Information	46,264
56500	Libraries	134,331
56700	Parks and Fair Boards	23,505
57100	Agriculture Extension Service	46,611
57500	Soil Conservation	33,059
58120	Industrial Development	8,616
58190	Other Economic and Community Development	468,720
58220	Airport	676,687
58300	Veterans' Services	9,530

58400	Other Charges	424,000
58900	Miscellaneous	6,575
	Transfers To Other Funds	130,000
	Total General Fund	\$9,072,726

COURTHOUSE & JAIL MAINTENANCE FUND

51800	County Buildings	\$10,000
58400	Other Charges	100
	Total Courthouse & Jail Maintenance Fund	\$10,100

SOLID WASTE/SANITATION FUND

55732	Convenience Centers	\$542,127
55739	Other Waste Collection	21,145
58400	Other Charges	5,000
	Total Solid Waste/Sanitation Fund	\$568,272

DRUG CONTROL FUND

54150	Drug Enforcement	\$65,800
58400	Other Charges	1,000
	Total Drug Control Fund	\$66,800

HIGHWAY/PUBLIC WORKS FUND

61000	Administration	\$249,752
62000	Highway and Bridge Maintenance	967,000
63100	Operation and Maintenance of Equipment	281,500
65000	Other Charges	56,540
66000	Employee Benefits	382,000
68000	Capital Outlay	1,261,923
	Total Highway/Public Works Fund	\$3,198,715

GENERAL PURPOSE SCHOOL FUND

71000	<u>Instruction</u>	
71100	Regular Instruction Program	\$13,512,415
71150	Alternative Instruction Program	106,860
71200	Special Education Program	2,350,939
71300	Vocational Education Program	1,515,572
71600	Adult Education Program	221,598
72000	<u>Support Services</u>	

72110	Attendance	118,386
72120	Health Services	359,550
72130	Other Student Support	667,036
72210	Regular Instruction Program	921,428
72220	Special Education Program	135,226
72230	Vocational Education Program	104,878
72260	Adult Programs	119,244
72310	Board of Education	460,000
72320	Director of Schools	323,535
72410	Office of the Principal	1,850,260
72510	Fiscal Services	311,736
72520	Human Services/Personnel	137,330
72610	Operation of Plant	2,915,100
72620	Maintenance of Plant	837,200
72710	Transportation	1,047,975
72810	Central and Other	515,445
73300	Community Services	364,796
73400	Early Childhood Education	375,420
76100	Regular Capital Outlay	25,895
82130	Principal - Education	49,695
82230	Interest - Education	13,354
82330	Other Debt Service - Education	836,611
	Total General Purpose School Fund	\$30,197,484

CENTRAL CAFETERIA FUND

73100	Food Service	\$2,487,407
	Total Central Cafeteria Fund	\$2,487,407

GENERAL DEBT SERVICE FUND

58400	Other Charges	\$12,000
82110	Principal - General Government	305,000
82210	Interest - General Government	286,490
82310	Other Debt Service - General Government	800
	Total General Debt Service Fund	\$604,290

RURAL DEBT SERVICE FUND

82130	Principal - Education	\$945,000
-------	-----------------------	-----------

82230	Interest - Education	835,267
82330	Other Debt Service - Education	32,500
	Total Rural Debt Service Fund	\$1,812,767

EDUCATION DEBT SERVICE FUND

58400	Other Charges	\$15,000
82130	Principal - Education	515,000
82230	Interest - Education	841,450
	Total Education Debt Service Fund	\$1,371,450

SECTION 2. BE IT FURTHER RESOLVED that there are also hereby appropriated certain portions of the commissions and fees for collecting taxes and licenses and for administering other funds which the trustee, county clerk, circuit court clerk, clerk and master, register, and the sheriff and their officially authorized deputies and assistants may be entitled to receive under state laws heretofore or hereafter enacted. Expenditures out of commissions and/or fees collected by the trustee, county clerk, circuit court clerk, clerk and master, register and sheriff may be made for such purposes and in such amounts as may be authorized by existing law or by valid order of any court having power to make such appropriations. Any excess commissions and/or fees collected over and above the expenditures duly and conclusively authorized shall be paid over to the trustee and converted into the General Fund as provided by law.

BE IT FURTHER RESOLVED that if any fee officials, as enumerated in Section 8-22-101, Tennessee Code Annotated, operate under provisions of Section 8-22-104, Tennessee Code Annotated, provisions of the preceding paragraph shall not apply to those particular officials.

SECTION 3. BE IT FURTHER RESOLVED that any amendment to the budget, except for amendments to the budget for funds under supervision of the director of schools, shall be approved as provided in Section 5-9-407, including the alternative methods authorized therein. Tennessee Code Annotated. The director of schools must receive approval of the Board of Education for transfers within each major category of the budget, and approval of both the Board of Education and Board of County Commissioners for transfers between major categories as required by law.

One copy of each amendment shall be filed with the county clerk, one copy with the chairman of the Budget Committee, and one copy with each divisional or departmental head concerned. The reason(s) for each transfer shall be clearly stated; however, this section shall in no case whatsoever be construed as authorizing transfer from one fund to another, but shall apply solely to transfers within a certain fund.

SECTION 4. BE IT FURTHER RESOLVED that any appropriations made by this resolution which cover the same purpose for which a specific appropriation is made by statute is made in lieu of but not in addition to said statutory appropriation. The salary, wages, or remuneration of each officer, employee, or agent of the county shall not be in excess of the amounts authorized by existing law or as set forth in the estimate of expenditures which accompanies this resolution. Provided, however, that appropriations for such salaries, wages, or other remuneration hereby authorized shall in no case be construed as permitting expenditures for an office, agency, institution, division or department of the county in excess of the appropriation made herein for such office, agency, institution, division or department of the county. Such appropriation shall constitute the limit to the expenditures of any office, agency, institution, division or department for the year ending June 30, 20___. The aggregate expenditures for any item of appropriation shall in no instance be more than the amount herein appropriated for such item.

SECTION 5. BE IT FURTHER RESOLVED that any resolution which may hereafter be presented to the Board of County Commissioners providing for appropriations in addition to those made by this Budget Appropriation Resolution shall specifically provide sufficient revenue or other funds actually to be provided during the year in which the expenditure is to be made to meet such additional appropriation. Said appropriating resolution shall be submitted to and approved by the state director of Local Finance after its adoption as provided by Section 9-21-403, Tennessee Code Annotated.

SECTION 6. BE IT FURTHER RESOLVED that the county mayor and county clerk are hereby authorized to borrow money on revenue anticipation notes, provided such notes are first approved by the

state director of Local Finance, to pay for the expenses herein authorized until the taxes and other revenue for the year 20__-20__ have been collected. The proceeds of loans for each individual fund shall not exceed 60% of the appropriations of each fund and shall be used only to pay the expenses and other requirements of the fund for which the loan is made. The loan shall be paid out of revenue from the fund for which money is borrowed. The notes evidencing the loans authorized under this section shall be issued under the applicable sections of Title 9, Chapter 21, Tennessee Code Annotated. Said notes shall be signed by the county mayor and countersigned by the county clerk and shall mature and be paid in full without renewal not later than June 30, 20__.

SECTION 7. BE IT FURTHER RESOLVED that the delinquent county property taxes for the year 20__ and prior years and the interest and penalty thereon collected during the year ending June 30, 20__, shall be apportioned to the various county funds according to the subdivision of the tax levy for the year 20__. The clerk and master and the trustee are hereby authorized and directed to make such apportionment accordingly.

SECTION 8. BE IT FURTHER RESOLVED that all unencumbered balances of appropriations remaining at the end of the year shall lapse and be of no further effect at the end of the year at June 30, 20__.

SECTION 9. BE IT FURTHER RESOLVED that any resolution or part of a resolution which heretofore has been passed by the Board of County Commissioners which is in conflict with any provision in this resolution be and the same is hereby repealed.

SECTION 10. BE IT FURTHER RESOLVED that this resolution shall take effect from and after its passage and its provisions shall be in force from and after July 1, 20__. This resolution shall be spread upon the minutes of the Board of County Commissioners.

Passed this __ day of _____, 20__.

Tax Levy Resolution

Reference Number: CTAS-2087

RESOLUTION FIXING THE TAX LEVY IN
_____ COUNTY, TENNESSEE
FOR THE YEAR BEGINNING JULY 1, 20__

SECTION 1. BE IT RESOLVED by the Board of County Commissioners of _____ County, Tennessee, assembled in regular session on this 18th day of July, 20__, that the combined property tax rate for _____ County, Tennessee for the year beginning July 1, 20__, shall be \$1.5341 on each \$100 of taxable property, which is to provide revenue for each of the following funds and otherwise conform to the following levies:

FUND	Rate
General	\$ 0.5568
General Purpose School	0.6987
General Debt Service	0.0855
Rural Debt Service	<u>\$ 0.1931</u>
Total	<u>\$ 1.5341</u>

SECTION 2. BE IT FURTHER RESOLVED that there is hereby levied a gross receipts tax as provided by law. The proceeds of the gross receipts tax herein levied shall accrue to the General Fund.

SECTION 3. BE IT FURTHER RESOLVED, that all resolutions of the Board of County Commissioners of _____ County, Tennessee, which are in conflict with this resolution are hereby repealed.

SECTION 4. BE IT FURTHER RESOLVED, that this resolution take effect from and after its passage, the public welfare requiring it. This resolution shall be spread upon the minutes of the Board of County Commissioners.

Passed this ___ day of _____, 20__.

Non-profit Resolution

Reference Number: CTAS-2088

SAMPLE RESOLUTION MAKING APPROPRIATIONS TO NON-PROFIT CHARITABLE ORGANIZATIONS OF _____ COUNTY, TENNESSEE FOR THE YEAR BEGINNING July 1, 20__, AND ENDING June 30, 20__.

WHEREAS, Section 5-9-109, Tennessee Code Annotated, authorizes the _____ County Legislative Body to make appropriations to various nonprofit charitable organizations; and

WHEREAS, the _____ County Legislative Body recognizes the various nonprofit charitable organizations providing services in _____ County have great need of funds to carry on their non-profit charitable work.

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of _____ County, on this the ___ day of _____, 20__.

SECTION 1. That five hundred eighteen thousand, one hundred ninety-four (\$518,194) be appropriated to nonprofit organizations in _____ County as reflected below.

No.	Agency	Amount
101-51710-309	Partnership for Economic Development	\$ 20,000
101-54310-399	Fire Prevention and Control	191,863
101-55110-316	Health Department	75,000
101-55190-309	American Legion	500
101-55190-309	Lions Club	500
101-55190-310	Caring Incorporated	65,000
101-55190-310	County Speech & Hearing	10,000
101-56500-316	Library	134,331
101-56700-316	Parks & Fair Boards	18,000
101-58300-316	Veterans Service	<u>3,000</u>
	Total	<u>\$ 518,194</u>

BE IT FURTHER RESOLVED that all appropriations enumerated in Section 1 above are subject to the following conditions:

1. That the non-profit charitable organization to which funds are appropriated shall file with the County Clerk and the disbursing official a copy of an annual report of its business affairs and transactions and the proposed use of the County's funds. Such annual report shall be prepared and certified by the Chief Financial Officer of such non-profit organization in accordance with Section 5-9-109(c), Tennessee Code Annotated.
2. That said funds must only be used by the named non-profit charitable organization in furtherance of their non-profit charitable purpose benefitting the general welfare of the residents of the _____ County.
3. That it is the expressed interest of the County Commission of _____ County providing these funds to the above named non-profit charitable organizations to be fully in compliance with Section 5-9-109 of Tennessee Code Annotated and any and all other laws which may apply to County appropria-

Fund	Beginning Spendable Fund Balance	Revenues	Debt Proceeds	Transfers-In	Estimated Receipts
General Fund	\$ 1,008,376	\$ 531,950	\$ 85,000	\$ -	\$ 616,950
Highway Fund	132,415	287,090	-	-	287,090
Solid Waste Fund	192,400	204,620	-	-	204,620
Drug Fund	1,041,621	1,673,000	-	-	1,673,000
General Purpose School Fund				-	-
School Cafeteria Fund				-	-
School Federal Projects Fund				-	-
Water & Sewer Fund				-	-
General Debt Service Fund				-	-
Totals	\$ 2,374,812	\$ 2,696,660	\$ 85,000	\$ -	\$ 2,781,660
Debt Service					
	Principal	Interest	Debt Service		
Fund: General Debt Service Fund					Fund:
Schedule of Outstanding Debt	\$ 126,734	\$ 28,946	\$ 155,680		Schedule of Outstanding Debt
Less: Budgeted Debt Payments					Less: Budgeted Debt Payments
Difference:	126,734	28,946	155,680		Difference:
Fund: Water & Sewer Fund					Fund:
Schedule of Outstanding Debt	25,500	6,310	31,810		Schedule of Outstanding Debt
Less: Budgeted Debt Payments					Less: Budgeted Debt Payments
Difference:	25,500	6,310	31,810		Difference:
Fund: Highway Fund					
Schedule of Outstanding Debt	128,934	29,521	158,455		
Less: Budgeted Debt Payments					
Difference:	\$ 128,934	\$ 29,521	\$ 158,455		

Estimated Revenues from Current Property Taxes

Reference Number: CTAS-2094

_____ County, Tennessee
 Statement of Estimated Revenues from Current Property Taxes
 20__ Assessments Based upon Estimated
 Assessed Valuation of \$640,870,000

Fund	Proposed Tax Rate	Amount of Tax Levy	Reserve for Delinquency 9.0%	Net Estimated Collection of Taxes
General	\$0.5568	\$3,568,044	\$321,124	\$3,246,920
General Purpose School	\$0.6987	\$4,477,841	\$403,006	\$4,074,835

General Debt Service	<u>\$0.0855</u>	<u>\$548,182</u>	<u>\$49,336</u>	<u>\$498,845</u>
Total	<u>\$1.3410</u>	<u>\$8,594,067</u>	<u>\$773,466</u>	<u>\$7,820,601</u>

_____ County, Tennessee
 Statement of Estimated Revenues from Current Property Taxes
 20__ Assessments Based upon Estimated
 Assessed Valuation of \$640,870,000

Fund	Proposed Tax Rate	Amount of Tax Levy	Reserve for Delinquency 9.0%
General	\$0.5568	\$3,568,044	\$321,124
General Purpose School	\$0.6987	\$4,477,841	\$403,006
General Debt Service	\$0.0855	\$548,182	\$49,336
Rural Debt Service (inside city or SSD)	\$ -	\$ -	\$ -
Rural Debt Service (outside city or SSD)	<u>\$0.2000</u>	<u>\$1,237,360</u>	<u>\$111,362</u>
Total	<u>\$1.5410</u>	<u>\$9,831,427</u>	<u>\$884,828</u>

Notes:

- The Assessment for the Rural Debt Service Fund tax rate is \$618,680,000 – excludes SSD or city assessment
- ADA Proration:

	Percentage	Amount
General Purpose School Fund	93.50%	\$3,809,971
City or Special School District	<u>6.50%</u>	<u>\$264,864</u>
Total	<u>100.00%</u>	<u>\$4,074,835</u>

- Rate of \$0.00 for _____ Special School District

Maintenance of Effort Test

Reference Number: CTAS-2095

eReports - Maintenance of Effort Test

eReporting - State Of Tennessee - Department Of Education

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County: 20XX - 20XX Maintenance of Effort Test

Account	Account Description	Column 1 Budget 2010-2011	Column 2 Amended Budget 2009-2010	Column 3 Original Budget 2009-2010	Column 4 AFR 2009-2010	Column 5 Actual vs. Budget 2009-2010	Column 6 2011 Budget vs. 2010 Budget
First Level - Straight Year to Year Comparison							
40110	Current Property Tax	18,344,000	15,926,000	15,926,000	15,813,211	(112,689)	2,412,000 **
40120	Trustee's Collections - Prior Year	635,000	650,000	650,000	647,847	(2,153)	(15,000)
40130	Circuit Clerk/Clerk & Master Collections - Prior Years	90,000	75,000	75,000	138,375	61,375	11,000 **
40140	Interest and Penalty	100,000	100,000	90,000	105,869	5,869	0
40150	Pickup Taxes	90,000	90,000	85,000	123,061	33,061	0
40161	Payments in Lieu of Taxes - T.V.A.	13,000	13,000	13,000	12,172	(828)	0
40162	Payments in Lieu of Taxes - Local Utilities	110,000	105,000	105,000	139,121	34,121	5,000
40163	Payments in Lieu of Taxes - Other	0	0	0	57,483	57,483	0
40210	Local Option Sales Tax	9,427,000	10,090,000	10,093,000	9,529,423	(563,577) *	(566,000)
40270	Business Tax	395,000	395,000	395,000	471,769	76,769	95,000
40290	Other County Local Option Taxes	9,000	9,000	9,000	5,785	(3,215) *	0
40320	Bank Excise Tax	0	0	0	142,952	142,952	0
Total County Taxes		29,199,000	27,450,000	27,441,000	27,194,969	(246,031)	1,701,000 **
41110	Marriage Licenses	4,700	4,000	4,000	5,593	1,593	700 **
41140	Cable TV Franchise	0	0	0	342,621	342,621	0
44110	Investment Income	110,000	173,000	171,000	189,544	16,544	80,000
44120	Lease/Rentals	27,000	27,000	27,000	28,233	1,233	0
46890	Mixed Drink Tax	40,000	46,000	48,000	44,582	(1,418)	(6,000)
46851	State Revenue Sharing - T.V.A.	1,111,000	1,134,000	1,134,000	1,297,514	163,514	(23,000)
Total Local Revenue per School Records		30,480,700	28,943,000	28,825,000	29,093,066	250,066	1,611,700 **
Cap Outlay	[Less] Local revenue increases for Capital Outlay	0	0	0	0	0	0
Debt Svc	[Less] Local revenue increases for Debt Svc	0	0	0	0	0	0
Total Adjusted Local Revenue		30,480,700	28,943,000	28,825,000	29,093,066	250,066	1,611,700 **
Second Level - Per Pupil Revenue							
Total Adjusted Local Revenue		30,480,700	28,943,000	28,825,000	29,093,066		
ADM (From BEP Allocation Sheet)		0	11,429	11,429	11,429		
Per Pupil Revenue			2,524	2,522	2,548		

*. An explanation is required when actual revenues collected are less than 95% of budgeted revenues.
 **. An explanation is required when proposed budget estimates exceed prior year's budget/amended budget by more than 5%.
 Proposed budget passes Maintenance of Effort

Comments

<https://www.k-12.state.tn.us/eReporting/MoeReport.aspx?reportcode=MOE> (1 of 2) [12/10/20 2:32:53 PM]

Highway Certification Form

Reference Number: CTAS-2096

Example County
Highway Certification Worksheet

*Enter amounts for accounts in which you received revenue. Enter ZERO (0) for accounts in which you did not.

I. Calculate Average	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018*	Total	II. Fiscal Year Appropriation	2018-2019
40110 Current Property Tax	615,300	626,127	630,826	636,074	651,735	3,160,062	40110 Current Property Tax	650,421
40115 Discount on Property Taxes					0	0	40115 Discount on Property Taxes	0
40120 Trustee's Collections - Prior Year	31,400	27,944	33,243	25,942	24,333	142,902	40120 Trustee's Collections - Prior Year	32,00
40125 Trustee's Collections - Bankruptcy			41		0	41	40125 Trustee's Collections - Bankruptcy	50
40130 Circuit/Clerk & Master Collections - Prior Years	19,634	16,956	22,314	10,006	8,088	76,998	40130 Circuit/Clerk & Master Collections - Prior Years	22,000
40140 Interest and Penalty	14,382	13,610	17,953	9,644	7,700	63,289	40140 Interest and Penalty	19,000
40150 Pick-up Taxes					0	0	40150 Pick-up Taxes	0
40161 Payments in Lieu of Taxes - T.V.A.	222	222	194	194	194	1,02	40161 Payments in Lieu of Taxes - T.V.A.	222
40162 Payments in Lieu of Taxes - Local Utilities	188	104	163	165	174	794	40162 Payments in Lieu of Taxes - Local Utilities	100
40163 Payments in Lieu of Taxes - Other	3,887	3,963	3,736	3,939	1,799	17,324	40163 Payments in Lieu of Taxes - Other	3,900
40210 Local Option Sales Tax					0	0	40210 Local Option Sales Tax	0
40220 Hotel/Motel Tax					0	0	40220 Hotel/Motel Tax	0
40240 Wheel Tax	114,367	114,356	114,059	116,633	105,688	565,103	40240 Wheel Tax	125,000
40250 Litigation Tax - General					0	0	40250 Litigation Tax - General	0
40260 Litigation Tax - Special Purpose					0	0	40260 Litigation Tax - Special Purpose	0
40270 Business Tax					0	0	40270 Business Tax	0

40280 Mineral Severance Tax	36,622	56,145	58,297	59,544	33,682	244,290	40280 Mineral Severance Tax	69,000
40285 Adequate Facilities/Development Tax					0	0	40285 Adequate Facilities/Development Tax	0
40290 Other County Local Option Taxes					0	0	40290 Other County Local Option Taxes	0
40320 Bank Excise Tax	7,158	6,973	3,387	344	91	17,953	40320 Bank Excise Tax	3,300
40330 Wholesale Beer Tax					0	0	40330 Wholesale Beer Tax	0
40331 Beer Privilege Tax					0	0	40331 Beer Privilege Tax	0
40340 Coal Severance Tax					0	0	40340 Coal Severance Tax	0
40350 Interstate Telecommunications Tax					0	0	40350 Interstate Telecommunications Tax	0
44110 Investment Income					0	0	44110 Investment Income	0
44990 Other Local Revenues					0	0	44990 Other Local Revenues	0
Total Local Revenue	843,200	866,400	884,213	862,485	833,569	4,289,86		924,993

Average = Total of 5 years total local revenue divided by 5
 *estimate if audit figures are unavailable

Five-Year Average 857,973

Example County Tennessee

July 11, 2018

COUNTY TECHNICAL ASSISTANCE SERVICE

226 ANNE DALLAS DUDLEY BOULEVARD, SUITE 400 NASHVILLE, TENNESSEE 37219-1804

EXAMPLE COUNTY, TENNESSEE HIGHWAY FUND LOCAL REVENUES CERTIFICATION FOR FY 2018-2019

Description	Actual 2013-2014	Actual 2014-2015	Actual 2015-2016	Actual 2016-2017	Actual 2017-2018	5 Year Average	Budget 2018-2019
Current Property Tax	615,300	626,127	630,826	636,074	651,735	3,160,062	650,421
Trustee's Collections - Prior Year	31,440	27,944	33,243	25,942	24,333	142,902	32,000
Trustee's Collections - Bankruptcy			41		0	41	50
Circuit/Clerk & Master Collections - Prior Years	19,634	16,956	22,314	10,006	8,088	76,998	22,000

Interest and Penalty	14,382	13,610	17,953	9,644	7,700	63,289	19,000
Payments in Lieu of Taxes - T.V.A.	222	222	194	194	194	1,026	222
Payments in Lieu of Taxes - Local Utilities	188	104	163	165	174	794	100
Payments in Lieu of Taxes - Other	3,887	3,963	3,736	3,939	1,799	17,324	3,900
Wheel Tax	114,367	114,356	114,059	116,633	105,688	565,103	125,000
Mineral Severance Tax	36,622	56,145	58,297	59,544	33,682	244,290	69,000
Bank Excise Tax	7,158	6,973	3,387	344	91	17,953	3,3008
Interstate Telecommunications Tax					85	85	0
Total Local Revenue	843,200	866,400	884,213	862,485	833,569	4,289,867	924,993

Average = Total of 5 years total local revenue divided by 5

Five-Year Average 857,973

THE UNDERSIGNED OFFICIALS OF EXAMPLE COUNTY, TN DO HEREBY CERTIFY THAT \$924,993 HAS BEEN APPROPRIATED AND ALLOCATED FOR COUNTY HIGHWAY PURPOSES FROM FISCAL YEAR 2018-2019 LOCAL REVENUE SOURCES AS COMPARED TO \$857,973 THAT REPRESENTS THE AVERAGE OF THE MOST RECENT 5 YEARS OF LOCAL REVENUE SOURCES ALLOCATED AND RECEIVED FOR EXAMPLE COUNTY HIGHWAY PURPOSES, PURSUANT TO TENNESSEE CODE ANNOTATED 67-3-901.

NAME, COUNTY MAYOR

NAME, HWY CHIEF ADMIN OFF

Basic Formula

Reference Number: CTAS-2097

Estimated Beginning Fund Balance	+	\$1,000,000	(A)
Estimated Revenue	+	5,000,000	(B)
Transfer Into the Fund	+	0	(C)
Total Available Funds	=	6,000,000	(A+B+C=D)
Estimated Expenditures	-	5,500,000	(E)
Transfer Out of the Fund	-	0	(F)
Estimated Ending Fund Balance	=	500,000	(D-E-F=G)

Effect on Fund Balance (Est Revenues + Transfers In Less Est Exp + Transfers Out) (500,000) ((B+C)-(E+F)=H)

Assuming 1 penny generates \$50,000 \$500,000/\$50,000 = \$0.10
 Assuming \$1 million dollars is the optimal fund balance desired, divide the effect on fund balance by the value of the penny. This determines the tax increase needed.

Assessment Summary

Reference Number: CTAS-2098

ASSESSMENT SUMMARY EXAMPLE

LOCALLY ASSESSED PROPERTY

REAL PROPERTY

Classification	Assessment	Parcels
Local Utility @ 55%	\$0	0
Industrial @ 40%	\$93,144,520	93
Commercial @ 40%	\$736,885,440	3,898
Residential @ 25%	\$2,122,837,325	59,473
Homebelt @ 25%	\$321,325	5
Farm @ 25%	\$37,192,425	395
Agricultural @ 25%	\$89,528,050	1,730
Forest @ 25%	\$27,775,400	729
Open Space @ 25%	\$0	0
Mineral @ 40%	\$2,360	2
Total Real Property	\$3,107,686,845	66,325

TANGIBLE PERSONAL PROPERTY

Classification	Assessment	Accounts
Local Utility @ 55%	\$0	0
Industrial @ 30%	\$217,487,861	60
Commercial @ 30%	\$142,480,374	5,838
Residential @ 5%	\$0	0
Farm @ 5%	\$0	0
Appraisal Ratio	0.9081	

INTANGIBLE PERSONAL PROPERTY

Classification	Assessment	Accounts
----------------	------------	----------

Commercial @ 40%	\$0	0
Total Personal	\$359,968,235	5,900

STATE ASSESSED PROPERTY

Classification	Assessment	Accounts
Public Utilities & Transportation @ 55%	\$130,880,876	102

ASSESSMENT TOTALS

Real Property	\$3,107,686,845
Tangible Personal Property	\$359,968,235
Intangible Personal Property	\$0
Public Utilities & Transportation	\$130,880,876
TOTAL ASSESSED VALUE	\$3,598,535,956

Estimating Actual Property Tax Collections

Reference Number: CTAS-2100

Sample Property Tax Collection with a Variance Factor

Previous Year Assessments

Real Property	\$3,027,936,200
Tangible Personal Property	\$395,556,002
Intangible Personal Property	\$0
Public Utilities & Transportation	\$144,750,000
Total Assessed Value	\$3,568,242,202
Apply Previous Year Tax Rate	\$0.0247
Property Tax Collection at 100%	\$88,135,582
Actual Property Tax Collected	\$83,728,803
Actual Collection Percentage	95%

Current Year Assessments

Real Property	\$3,107,686,845
Tangible Personal Property	\$359,968,235
Intangible Personal Property	\$0
Public Utilities & Transportation	\$130,880,876
Total Assessed Value	\$3,598,535,956
Apply Current Year Tax Rate	\$0.0247

Property Tax Collection at 100%	\$88,883,838
Apply Historical Collection Percentage	95%
Property Tax Collection Estimate	\$84,439,646

Net Penny Calculation

Property Tax Collection Estimate (Using Historical Collection Percentage)	\$84,439,646
Divide by 100	\$844,396

Determining the Yield of One Cent of the Property Tax Rate

Total Assessed Value	\$3,598,535,956
Divide by \$100	\$35,985,359
Multiply by one cent (\$0.01)	\$359,853
Multiply by historical collection percentage	95%
What one-cent yields from a one cent rate	\$341,860

Calculation of Property Tax Estimate

Reference Number: CTAS-2115

To calculate the property tax, first determine what has been the percent applicable to the collections of property taxes for the last three years. Usually this rate will be 85 to 95 percent. Then follow the steps below.

Total property assessments	\$
Divide by \$100*	
Multiply by property tax rate	
Equals 100 percent collections	
Multiply by ___ percent of collections**	
Net property taxes estimate	\$

NOTE:

*Property tax rate is a rate per \$100 of assessed value.

** Each county will have a variance factor, thus a different rate of collection; it is generally based on the last three years' average.

Determining Yield of One-Cent Property Tax Rate.

Since many decisions must be made concerning the increase in the property tax rate, local governments use what a one-cent rate will yield in revenues. Use the following calculation to determine your local government's one-cent yield.

Total property assessments	\$
Divide by \$100*	

Multiply by one cent	
Multiply by _____ percent of collections	
What one cent yields from a one-cent rate***	\$

NOTE:

***In most counties, this will range from \$5,000 to \$100,000.

Fund Balance Policy Example

Reference Number: CTAS-2110

Sample County, Tennessee

Fund Balance Policy

Purpose

The County hereby establishes and will maintain reservations of fund balance as defined herein in accordance with Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions and with regards to guidance from the Government Finance Officers Association (GFOA) GAAFR. This Policy shall apply to the County’s General Fund and General Debt Service Fund. Governmental fund balance may be composed of restricted, committed, assigned, non-spendable and unassigned amounts per GASB Statement 54.

Minimum Level of Unassigned Fund Balance – General Fund

The General Fund unassigned fund balance will be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuations of revenue sources. Given that current property tax collections do not begin until the fourth month of the fiscal year, Sample County will maintain at least Fifteen Percent (15.0%) of the next year’s budget in the unassigned fund balance of the General Fund.

Any amounts remaining in the fiscal year-end unassigned fund balance in excess of Fifteen (15.0%) of the approved subsequent year’s budget will be available for appropriation by the County Commission to cover such items as revenue shortfalls and unanticipated expenditures, and to ensure stable tax rates. The County Commission will attempt whenever possible to avoid appropriating such funding for recurring expenses.

Minimum Level of Fund Balance – General Debt Service Fund

It is the practice of the County to pay the principal and interest requirements on the County’s debt obligations from the Debt Service Fund. Each year the budget committee of the County shall determine or estimate the principal and interest requirements of the County and recommend sources of revenues to meet these actual or projected requirements. Additionally, it shall be the policy of the County to begin each fiscal year with a balance of cash or investments in the Debt Service Fund in a conservatively calculated amount adequate to meet (1) cash flow needs, (2) budgeting contingencies, (3) emergency contingencies, (4) variable rate volatility contingencies plus (5) future forecasted needs.

Cash flow Requirement Component: The majority of local County revenues come from property taxes. Property taxes levied for a specific fiscal year are generally collected in the second half of that fiscal year. For this reason, it is common for the County to expend more than it collects during the first half of the fiscal year. For this reason, it shall be the policy of the County to begin each fiscal year with a sum of cash or investments equal to the debt service fund requirements scheduled to be expended during the first six months of the next fiscal year. This amount will typically equal six months of interest expense on the County’s total indebtedness unless the County schedules principal payments in the first six months of the fiscal year. Generally, except for short-term capital outlay notes, the County will not schedule principal payments in the first six months of the fiscal year.

Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and amounts of restricted, committed, assigned, non-spendable, the minimum level of unassigned fund balance in the General Fund and the minimum level of fund balance in the Debt Service Fund shall be determined during this process.

Source URL: <http://ctas-eli.ctas.tennessee.edu/reference/operating-budgets>

