

# The New Budget Manual for Local Governments

*Division of Local Government Finance*

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March 4, 2022

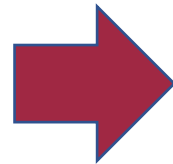
TENNESSEE COMPTROLLER OF THE TREASURY



# Tennessee Budget Manual for Local Governments

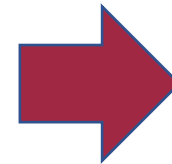
**April 2021**

Public Chapter 256,  
Acts of 2021



**May 2021**

Request for  
Public Comment



**June 2021**

Manual  
is Published

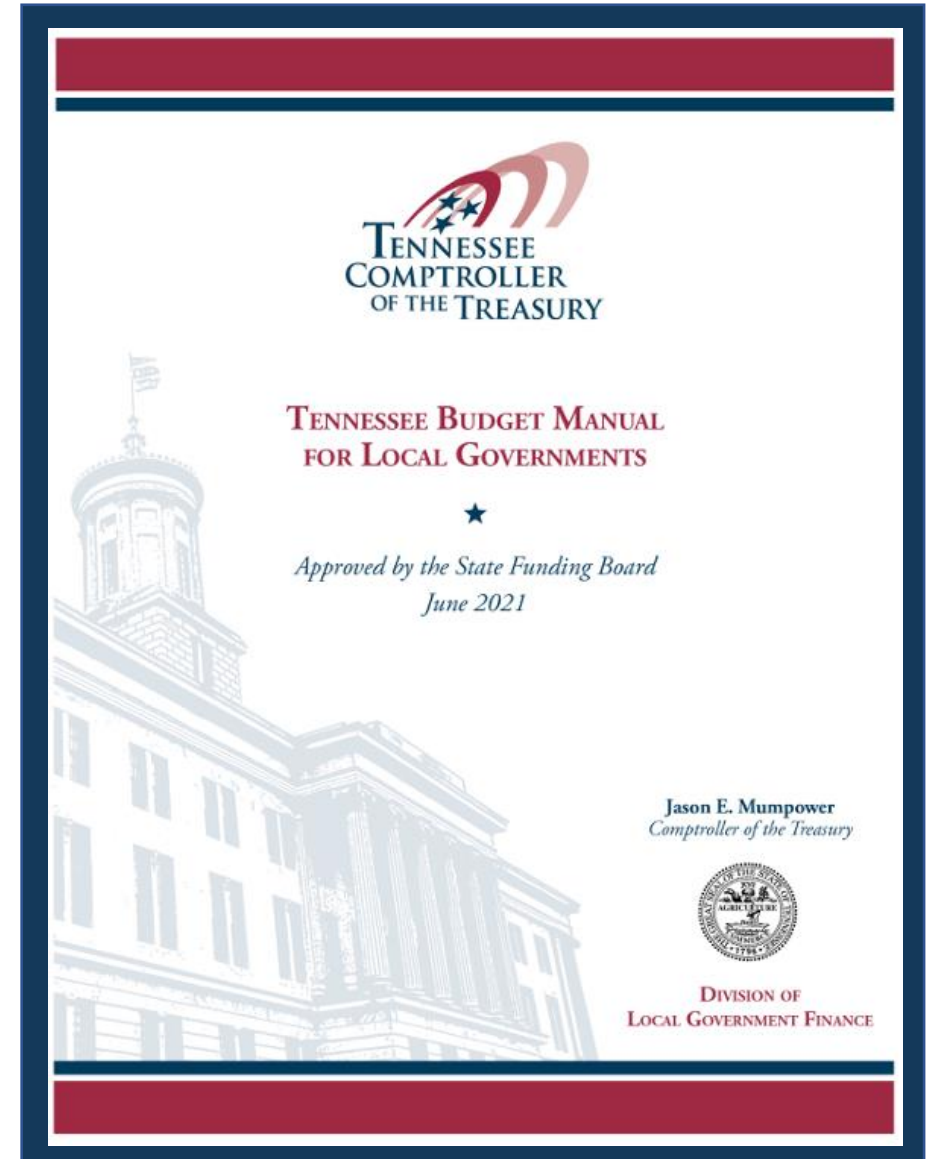
TENNESSEE COMPTROLLER OF THE TREASURY



# Tennessee Budget Manual for Local Governments

[tncot.cc/budget-manual](https://tncot.cc/budget-manual)

TENNESSEE COMPTROLLER OF THE TREASURY



# Overview/Agenda

## A Walk-Through of the New Budget Manual

1. Introduction
2. Comptroller Oversight and Support
3. Oversight and Support from Other State Agencies
4. Budgeting Terminology, Definitions, and Concepts
5. Budget Laws
6. The Budget Process
7. Best Practices

# Section 1 – Introduction

What's the purpose of the budget manual?

- Uniform Guidance
- Oversight by the Comptroller's Office



TENNESSEE COMPTROLLER OF THE TREASURY



# Section 1 – Introduction

The Manual is divided into the following areas:

- State Oversight and Support – Sections 2 and 3
- Budget Basics – Sections 4 and 5
- The Budget Process – Section 6
- Best Practices – Section 7

The Manual, as approved by the State Funding Board on June 15, 2021, is the first edition issued pursuant to Tenn. Code Ann. §§ 4-3-305 and 9-21-403.

# Section 1 – Introduction

Any reference to the term “local government” in the Budget Manual applies to the following entities:

- Counties
- Municipalities
- Metropolitan Governments
- Utility Districts
- Water and Wastewater Treatment Authorities
- Other entities that have a financial relationship to a county, municipality, metropolitan government, utility district, or water and wastewater authority, such as joint ventures created by an interlocal agreement.

# Section 2 – Comptroller Oversight and Support

## Forms, Procedures, and Manuals

- The Comptroller’s Office has authority to prescribe forms and procedures and provide guidance manuals for the preparation of annual budgets by local governments (Tenn. Code Ann. § 4-3-305)
- The Comptroller’s Office is also responsible for providing guidance on the form of the budget, including supplemental schedules, as necessary, to demonstrate local governments have adequate cash to meet their current obligations, including principal and interest, as applicable. See Tenn. Code Ann. §§ 7-82-501, 9-21-403, 68-221-611, and 68-221-1306

# Section 2 – Comptroller Oversight and Support

## Balanced Budget Oversight for Local Governments

- Adopting a balanced budget is the responsibility of the governing body
  - Balanced Budget vs. Structurally Balanced Budget
- Why does the health of the local government matter?
- Tenn. Code Ann. § 9-21-403
- Oversight Requirements
  - Corrective action plans
  - Requesting approval prior to spending
  - Cash reserves and cash flow management
  - Audits or additional reviews
  - Additional reporting requirements

# Section 2 – Comptroller Oversight and Support

## Budget Oversight

### ✓STEP ONE – Submission Requirements for Approval

- Due Date
  - Submit to COT within 15 days of adoption
  - Adopt within 2 months of FY

# Section 2 – Comptroller Oversight and Support

## Budget Oversight

### ✓ STEP ONE – Submission Requirements for Approval

#### ▪ Required Information

1. Cover letter
2. Signed/certified copy of the appropriation act and tax levy
3. Detailed Budget
4. Budget Summary Schedule
5. Cash Flow Forecasts
6. Debt Schedule
7. Revenue Forecasts

# Section 2 – Comptroller Oversight and Support

## Budget Oversight

### ✓STEP ONE – Submission Requirements for Approval

- Budget Submission Items to Note
- Common Issues with Budget Submissions

TENNESSEE COMPTROLLER OF THE TREASURY



# Section 2 – Comptroller Oversight and Support

## Budget Oversight

- ✓ STEP TWO – Approval by the Comptroller’s Office
  - Approved
  - Conditionally Approved
  - Not Approved

# Budget Manual

If a budget is either not approved by the comptroller of the treasury or the comptroller's designee or not submitted to the comptroller of the treasury or the comptroller's designee when required under this part within two (2) months of the beginning of the fiscal year, then debt or financing obligations shall not be issued by the public entity until the comptroller of the treasury or the comptroller's designee has approved the budget, or as otherwise provided for in a manner approved by the comptroller of the treasury or the comptroller's designee. In the case of an emergency, the comptroller of the treasury or the comptroller's designee, may waive the requirement of budget approval in order to allow the public entity to enter into emergency financial transactions. Tenn. Code Ann. § 9-21-404

# Section 2 – Comptroller Oversight and Support

## Budget Oversight

- ✓ STEP THREE – Requirements after Approval
  - Budget Amendments
  - Conditions for approval (if applicable)
  - Develop necessary policies and procedures

# Section 2 – Comptroller Oversight and Support

## Annual Budget Certificate

- ✓ The budget was adopted on or before the fiscal year end;
- ✓ The budget was filed with the Division of Local Government Finance within 15 days of adoption;
- ✓ No issues of concern were raised during our review of the budget; and
- ✓ The local government is not currently under the oversight of the Water & Wastewater Financing Board or Utility Management Review Board.

# Section 2 – Comptroller Oversight and Support

## Online Resources

- Basic Revenue Estimating
- Annual Budget Memo
- Cover Letter
- Budget Summary Schedule
- Municipal Budget Ordinance
- Cash Flow Forecast Schedule
- Basic Cash Flow Estimating

TENNESSEE COMPTROLLER OF THE TREASURY



https://comptroller.tn.gov/



# Tennessee Comptroller of the Treasury

Go to Comptroller.TN.gov

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About



## Local Government Finance

Go to Comptroller.TN.gov

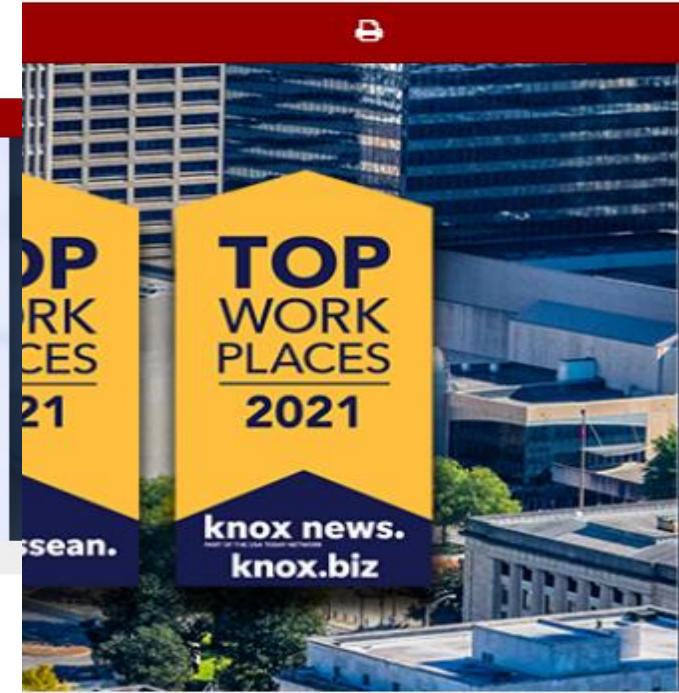
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### Local Government Finance Instructional Videos

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### A Great Place to Work

Our Office is a nationally-recognized Top 100 Great Place to Work

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Budgets

- Counties and Metros
- Municipalities
- Utilities
- Instructional Videos
- Budget Manual and Schedules
- Annual Certificates
- Contacts



Debt

- Debt Guidance
- Debt Report
- Debt Default Reporting
- Debt Management Policies
- Industrial Development Boards
- Tourism Development Zones
- Contacts



Utility Boards

- Water & Wastewater Financing Board
- Utility Management Review Board
- Submit an Inquiry
- Online Training
- Annual Utility Reporting
- Contacts



Resources

- Guidance
- Seven Keys to a Fiscally Well-Managed Government
- Investments
- Finance Glossary
- Pension Plans
- Contacts

range of  
of Tennessee.  
are committed to

# Section 3 – Oversight and Support from Other State Agencies

## Tennessee Utility Boards

- The Comptroller's Division of Local Government Finance serves as staff to the Water & Wastewater Financing Board (WWFB) and the Utility Management Review Board (UMRB).
- The WWFB supports municipalities, counties, and treatment authorities that operate water and sewer enterprises by ensuring that they are financially self-supporting. The Board also establishes the parameters for water accountability.
- The UMRB supports natural gas, water, and wastewater public utility districts by ensuring that they are financially self-supporting. The Board addresses certain complaints by utility district customers, approves or disapproves the creation of new utility districts, and conducts ouster proceedings for utility district commissioners related to misconduct, neglect, or training. The Board also establishes the parameters for water accountability.



- State Board of Equalization
- State Funding Board
- Tennessee Local Development Authority
- Tennessee State School Bond Authority
- Utility Boards



# Water & Wastewater Financing Board

The Water & Wastewater Financing Board (WWFB) supports municipalities, counties, and treatment authorities that operate water and sewer enterprises by ensuring that they are financially self-supporting. The Board also establishes the parameters for water accountability.



### Board Information

[Board Members](#)

[Meeting Schedule and Agendas](#)

[Water Loss Information](#)

[Annual Utility Reporting](#)

[Annual Report](#)

[WWFB Rules](#)



### Online Utility Training

[Online Utility Training](#)

[City and County Board Member Training FAQ](#)

[Water and Sewer Authority Board Member Training FAQ](#)

[Request Training Extension](#)



### Submit a Utilities Inquiry

## Online Utility

The Comptroller's Office now offers and/or wastewater system.

[Read More](#)

Investigations

A Great Place to Work



- State Board of Equalization
- State Funding Board
- Tennessee Local Development Authority
- Tennessee State School Bond Authority
- Utility Boards



# Utility Management Review Board

The Utility Management Review Board (UMRB) supports natural gas, water, and wastewater public utility districts by ensuring that they are financially self-supporting. The Board addresses certain complaints by utility district customers, approves or disapproves the creation of new utility districts, and conducts ouster proceedings for utility district commissioners related to misconduct, neglect, or training. The Board also establishes the parameters for water accountability.



### Board Information

[Board Members](#)

[Meeting Schedule and Agendas](#)

[Water Loss Information](#)

[Annual Utility Reporting](#)

[Annual Report](#)

[UMRB Rules](#)



### Utility District Customers

[Submit a Utilities Inquiry](#)

[Complaint Procedure](#)



### Utility District Commissioner Training

[Utility District Commissioner Training FAQ](#)

[Request Training Extension](#)

## Online Utility

The Comptroller's Office now offers... and/or wastewater system.

[Read More](#)

Investigations

A Great Place to Work

# Section 3 – Oversight and Support from Other State Agencies

## Tennessee Department of Education

- Works directly with local school systems. The Office of Local Finance provides budgetary oversight and guidance, and local governments with school systems are responsible for complying with those requirements

COVID-19 INFORMATION



Get Involved

Read More

# Gov. Lee Calls for Public Engagement on State Education Funding Formula

*Tennesseans invited to*



Education Vision and Priorities

*We will set all students on a path to success.*

<https://www.tn.gov/education>



# Section 3 – Oversight and Support from Other State Agencies

## Tennessee Department of Treasury

- Provides oversight to local governments that participate in the Tennessee Consolidated Retirement System (TCRS) as well as those that have defined benefit pension plans outside of TCRS
- The State Treasurer also operates the Local Government Investment Pool (LGIP) and has certain administrative responsibility of the Collateral Pool for Public Deposits

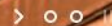
TENNESSEE COMPTROLLER OF THE TREASURY





EXPLORE THE MANY RESOURCES AVAILABLE

<https://treasury.tn.gov/>

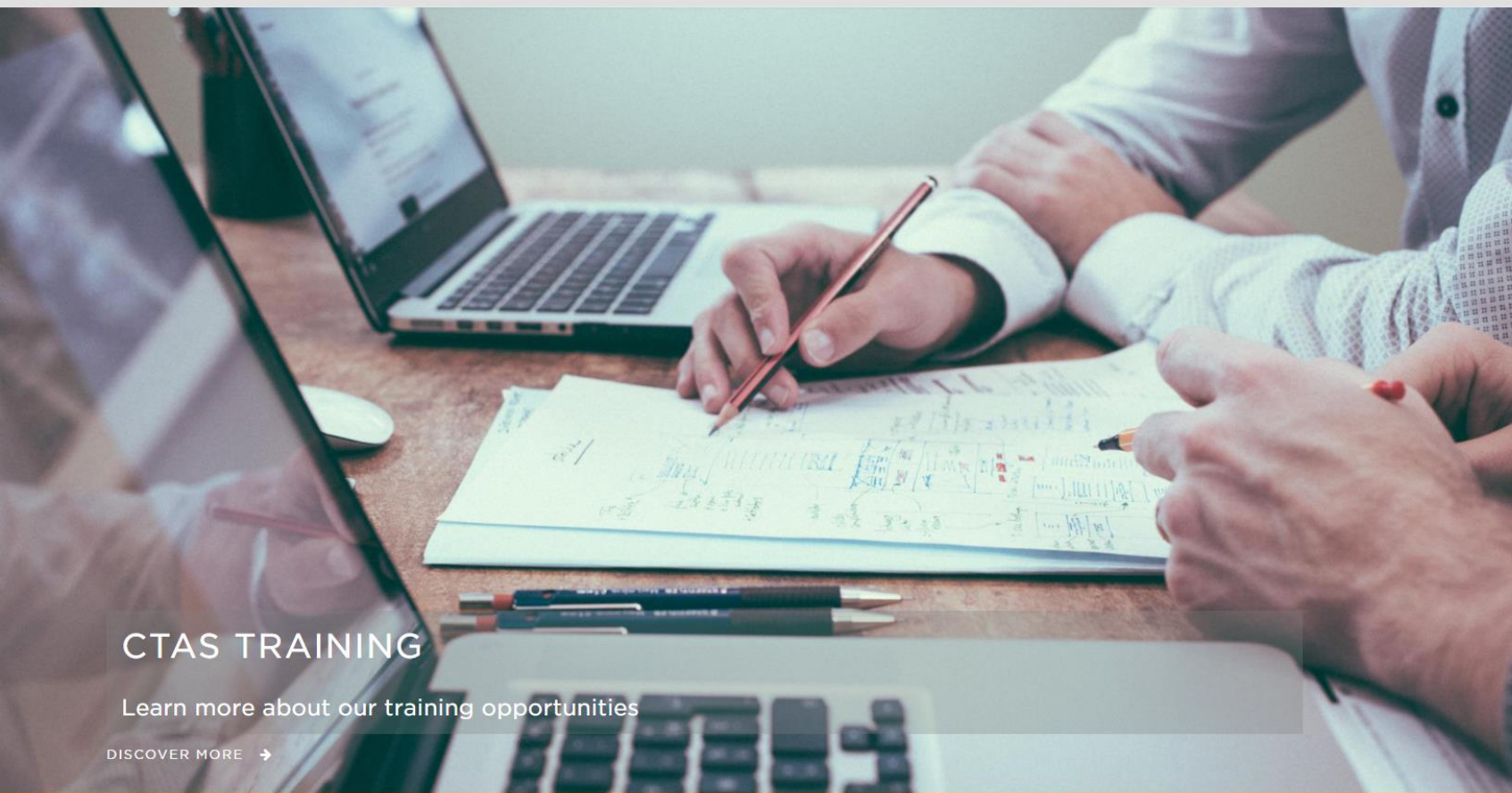


*"We help build a brighter future by investing in the well-being of Tennesseans through exceptional financial leadership, management, service, and education." - Treasurer David H. Lillard, Jr.*

# Section 3 – Oversight and Support from Other State Agencies

## County Technical Assistance Service (CTAS)

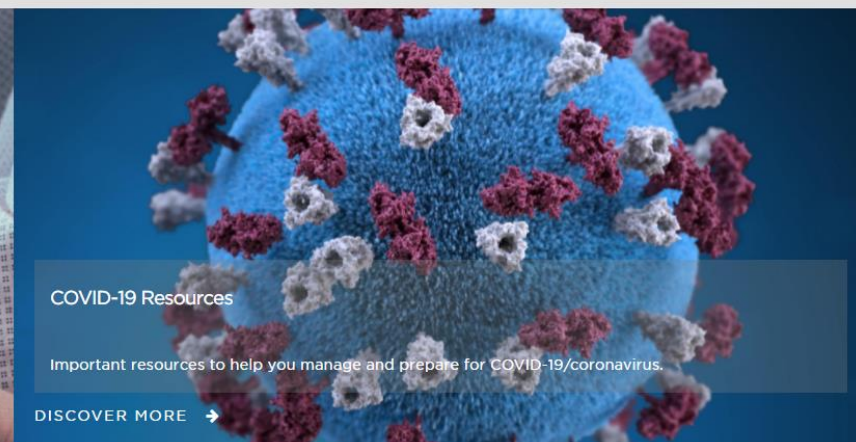
- CTAS is an agency of the University of Tennessee Institute of Public Service and provides technical, training, consulting, and field services to elected and appointed county and metropolitan officials and finance directors.
- CTAS assists county governments with the budget process in the areas of budget preparation, policy, training, and guidance. CTAS partners with the Comptroller's Office to provide the training and testing program for the Certified County Finance Officer (CCFO) designation



## CTAS TRAINING

Learn more about our training opportunities

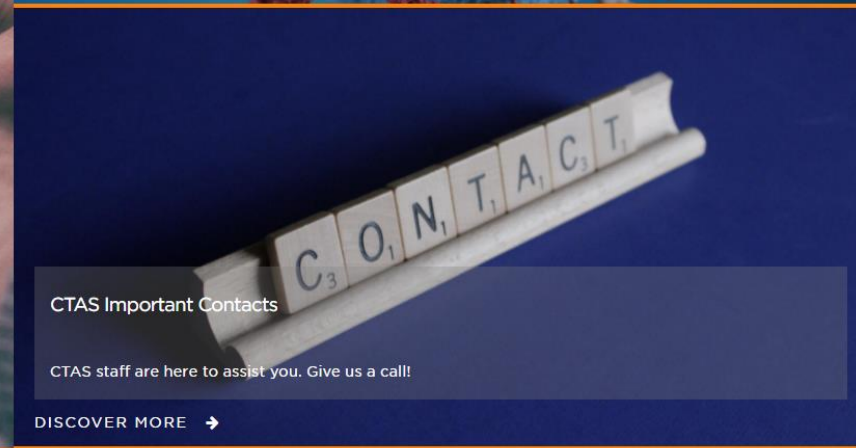
[DISCOVER MORE](#) →



## COVID-19 Resources

Important resources to help you manage and prepare for COVID-19/coronavirus.

[DISCOVER MORE](#) →



## CTAS Important Contacts

CTAS staff are here to assist you. Give us a call!

[DISCOVER MORE](#) →

County Technical Assistance Service

<http://www.ctas.tennessee.edu/>

**CTAS Mission: Promoting better county government through direct assistance to county officials and their associations.**

CTAS provides technical assistance to elected and appointed county officials in many areas related to county government.

Some of the products or deliverables from this assistance are available on our website as an information resource only.

If you are an elected or appointed county official and have any questions about material on our website or need further assistance, please give your County Government Consultant a call.

# Section 3 – Oversight and Support from Other State Agencies

## Municipal Technical Advisory Service (MTAS)

- MTAS is an agency of the University of Tennessee Institute of Public Service and provides technical, training, consulting, and field services to elected and appointed municipal and metropolitan government officials and finance directors.
- MTAS assists with the budget process in the areas of budget preparation, policy, training, and guidance. MTAS provides the training and testing program for the Certified Municipal Finance Officer (CMFO) designation.



# HOW CAN WE HELP YOU?

[Click HERE to Search MTAS](#)

<https://www.mtas.tennessee.edu/>

## MTAS CONSULTANTS

Melissa Ashburn, Legal Consultant  
(865) 974-0411  
Rex Barton, Police Management  
Consultant (423) 506-0402  
Travis Bishop, Finance and  
Accounting Consultant (423) 435-  
9662  
John Chlarson, Public Works  
Consultant (731) 425-4785

[view all consultants](#)

## UPCOMING EVENTS

- [MTAS Offices Closed](#)  
Dec 24 - 31, 2021 | All Day
- [TCMA 2022 Spring Conference](#)  
Franklin  
Apr 6 - 8, 2022 | All Day
- [ICMA 2022 Annual Conference](#)  
Columbus, OH  
Sep 18 - 21, 2022 | All Day

[view more events](#)

## TRAINING

- [CMFO Payroll, Benefits and Pensions](#)  
11.0
- [Planning and Zoning](#)
- [CMFO Payroll, Benefits and Pensions](#)  
11.0
- [Administrative Hearing Officer 2021](#)

[view all training](#)

# Section 3 – Oversight and Support from Other State Agencies

## *Tennessee Association of Utility Districts*

- TAUD provides TN utility systems with training, industry information and publications, and legislative updates
- TAUD's commissioner manual has budget guidance, and they also teach classes on the budget process



<https://taud.org/>

## SERVING OVER 500 UTILITIES AND BUSINESSES IN THE STATE OF TENNESSEE

TAUD's mission is to provide the highest quality technical, legal and operational support to assist its members in delivering safe and efficient services in the public interest.

Our staff of water, wastewater, and cross connection experts is available to assist you and answer your questions. On-site technical assistance is available at your utility by TAUD staff, specializing in water and wastewater operations.

# Section 3 – Oversight and Support from Other State Agencies

## Tennessee Emergency Communications Board

- The TECB is a statutorily created board that assists emergency communication districts, also known as E-911 districts, in the areas of management, operations, and accountability
- The TECB ensures emergency communication districts are financially self-supporting pursuant to specific criteria defined by state law

## COVID-19 INFORMATION

## E911 Dispatchers

GIS data?

Watch Video

Next Generation 911

<https://www.tn.gov/commerce/emergency-communications.html>

## Tennessee Emergency Communications Board

Ensuring that every citizen can effectively access the life-saving power of 911.

500 James Robertson Parkway, Davy Crockett Tower, Nashville, Tennessee 37243-0582 | Telephone: (615) 253-2164 | Fax: (615) 401-7642 | Email: [tn.ecb@tn.gov](mailto:tn.ecb@tn.gov)

## About TECB

[Core Values](#)[Board Members](#)[Committees](#)[Staff](#)[Strategic Plan](#)[Current Projects](#)[E911 Brochure](#)

## Training Resources

[In Person Training Schedule](#)[TECB's Virtual Academy Sign Up](#)[TECB's Virtual Academy](#)[Board Member 101](#)[2020 TENA Presentation](#)

## Meetings &amp; Events

[Upcoming Events](#)[Watch Live and Past Meetings](#)[Quarterly Webinars](#)

## Financial Information

[Annual Report](#)[Financial Report](#)

## District Resources

## Industry Resources

## Laws, Rules &amp; Policies

## Contact Information

# Division of Local Government Finance

## Contact Information by Region

**REGION 5**  
 Adam Tschida • *Financial Analyst*  
 615.747.5340  
 Adam.Tschida@cot.tn.gov

**REGION 3**  
 Steve Osborne • *Financial Analyst*  
 615.747.5343  
 Steve.Osborne@cot.tn.gov

**REGION 1**  
 Lori Barnard • *Financial Analyst*  
 615.747.5347  
 Lori.Barnard@cot.tn.gov



**REGION 2**  
 William Wood • *Financial Analyst*  
 615.401.7893  
 William.Wood@cot.tn.gov

**REGION 6**  
 Betsy Knotts • *Director*  
 615.401.7954  
 Betsy.Knotts@cot.tn.gov

**REGION 4**  
 Meghan Huffstutter • *Financial Analyst*  
 615.747.5379  
 Meghan.Huffstutter@cot.tn.gov

Ron Queen • *Financial Analyst*  
 615.401.7862  
 Ron.Queen@cot.tn.gov

Please send submissions and requests to:  
**LGF@cot.tn.gov**  
**615.401.7829**

# Section 4 – Budgeting Terminology, Definitions, and Concepts

## The Budget

An annually adopted document that outlines the expected revenues and expenditures (expenses) for each fund.

Budgets should be structurally **balanced**, **realistic**, and contain all **debt service** payments for governmental funds and interest expense for proprietary funds. All revenue estimates should be meaningfully forecasted. The budget is used throughout the fiscal year and **amended when necessary**.

# Section 4 – Budgeting Terminology, Definitions, and Concepts

## The Budget

- establishes policies;
- identifies revenues and other resources to support planned spending;
- appropriates monies, thus authorizing spending (expenditures);
- provides accountability to citizens or customers; and
- provides a means of control.

# Section 4 – Budgeting Terminology, Definitions, and Concepts

## Appropriated

An appropriation bill, ordinance, or resolution is signed into law.

**Example:** General, special revenue, and debt service funds for municipal and county governments are subject to legal appropriation.

**VS**

## Non-Appropriated

Approved in a manner authorized by state or local laws and **not** subject to appropriation.

**Example:** Municipalities that adopt budgets pursuant to the 1982 Budget Law are not required to legally appropriate budgets for proprietary funds, such as water and sewer funds.

# Section 5 – Budget Laws

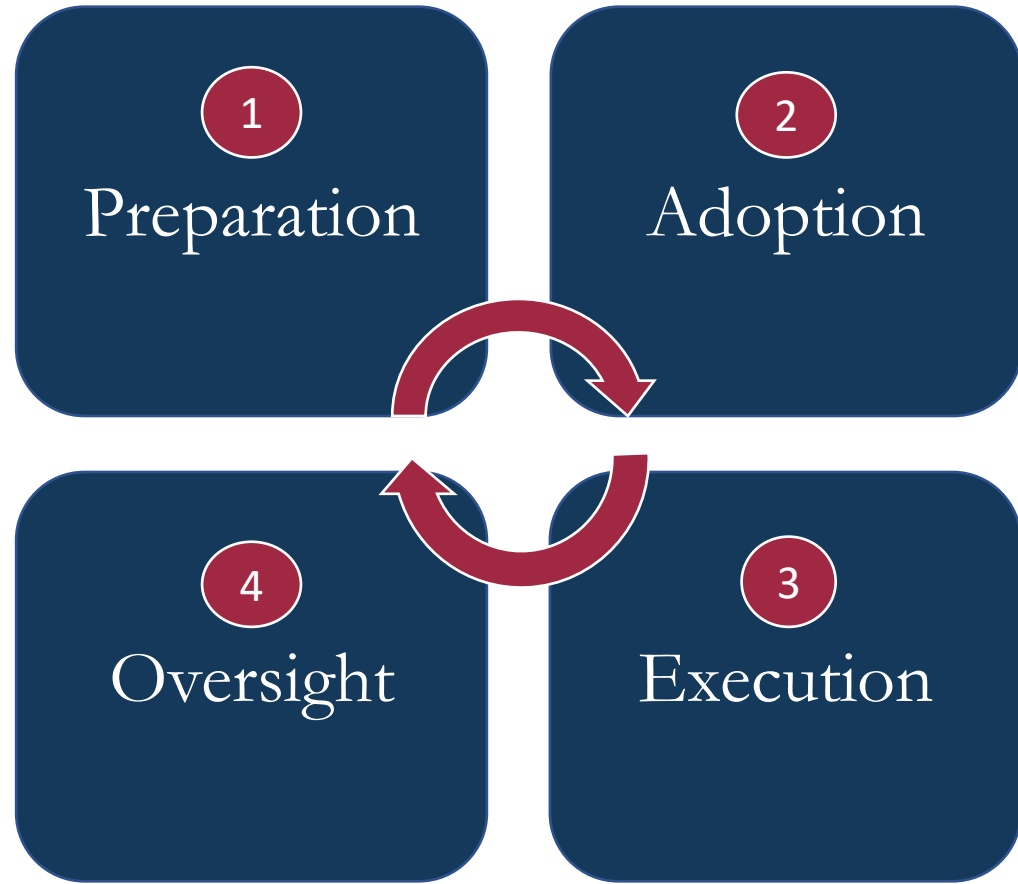
Depending upon your type of government, the laws that apply will be governed by how your local government was created or a specific budget statute has been adopted by your governing body.



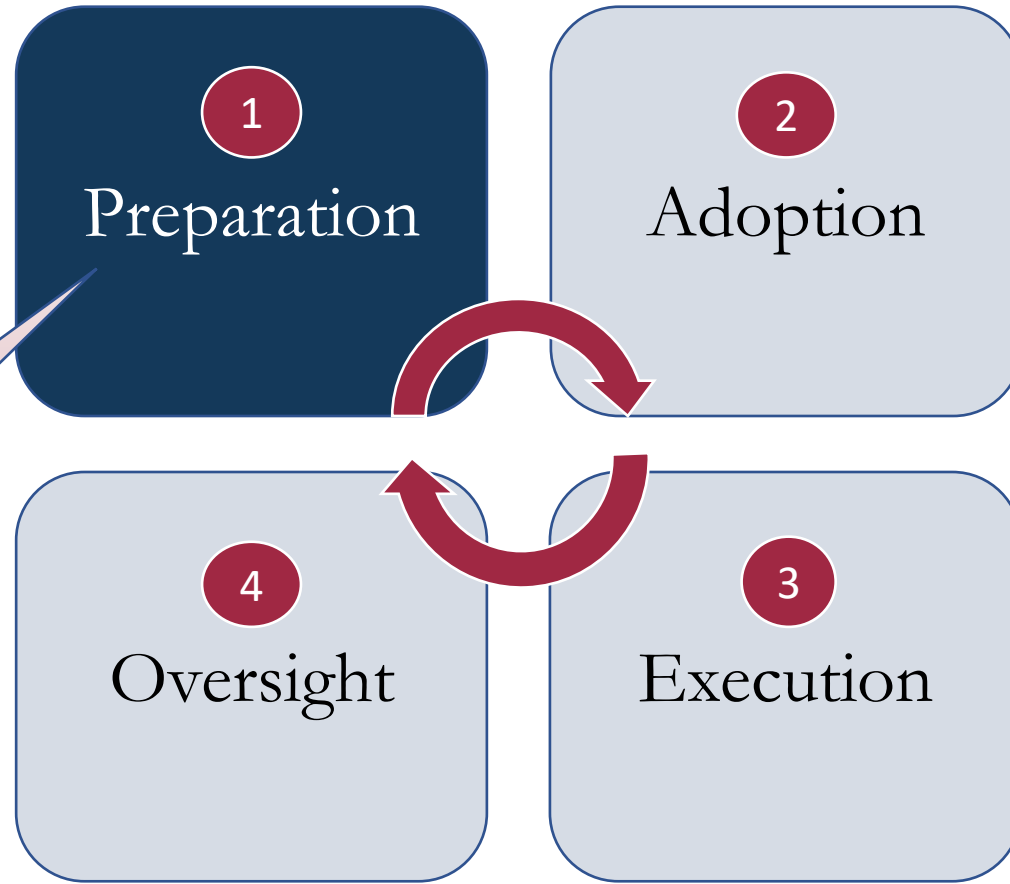
# Section 6 – The Budget Process

- Highlights some of the aspects related to the different elements in the budget process, from initial planning to adoption, execution, and managing the budget throughout the fiscal year.
- If your local government has not developed policies and procedures to support the annual budget process, we recommend municipalities, counties, and metropolitan governments work with their MTAS or CTAS representative for assistance. Additionally, we recommend utility districts and authorities work with TAUD.

# Section 6 – The Budget Process



# Section 6 – The Budget Process



- Policies & Procedures
- Component Units, Joint Ventures, and Similar Entities
- Revenue Estimating and Expenditure Estimating

# Section 6 – The Budget Process (Preparation)

## Policies and Procedures

- Budget calendar
- Cash flow management
- Minimum fund balance levels
- Contingency spending plan
- Long-term capital planning
- Program and service goals
- Legal spending requirements (maintenance of effort)
- Clearly defined departmental responsibilities in the budget process
- Rainy day fund levels
- Structurally balanced budgeting

# Section 6 – The Budget Process (Preparation)

## Policies and Procedures

- Budget calendar
- Minimum fund balance levels
- Structurally balanced budgeting
- Contingency spending plan
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- Clearly defined departmental responsibilities in the budget process
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- Cash flow management

# Section 6 – The Budget Process (Preparation)

## Policies and Procedures

Fund  
Balance  
Policy

Structurally  
Balanced  
Budget

Cash  
Flow  
Management

# Section 6 – The Budget Process (Preparation)

## Component Units, Joint Ventures, and Similar Entities

- √ **STEP 1** – Identify
- √ **STEP 2** – Determine financial relationship
- √ **STEP 3** – Develop an internal process
- √ **STEP 4** – Include with annual budget submission

# Section 6 – The Budget Process (Preparation)

Component Units, Joint Ventures, and Similar Entities

Debt Guarantee  
for a Joint Venture

Loan to a  
Component Unit

# Section 6 – The Budget Process (Preparation)

## Revenue Forecasting and Expenditure Estimating

- Reliable and realistic
- Online instructional videos:  
[www.tncot.cc/budget](http://www.tncot.cc/budget)
- MTAS and CTAS assistance
- TAUD assistance

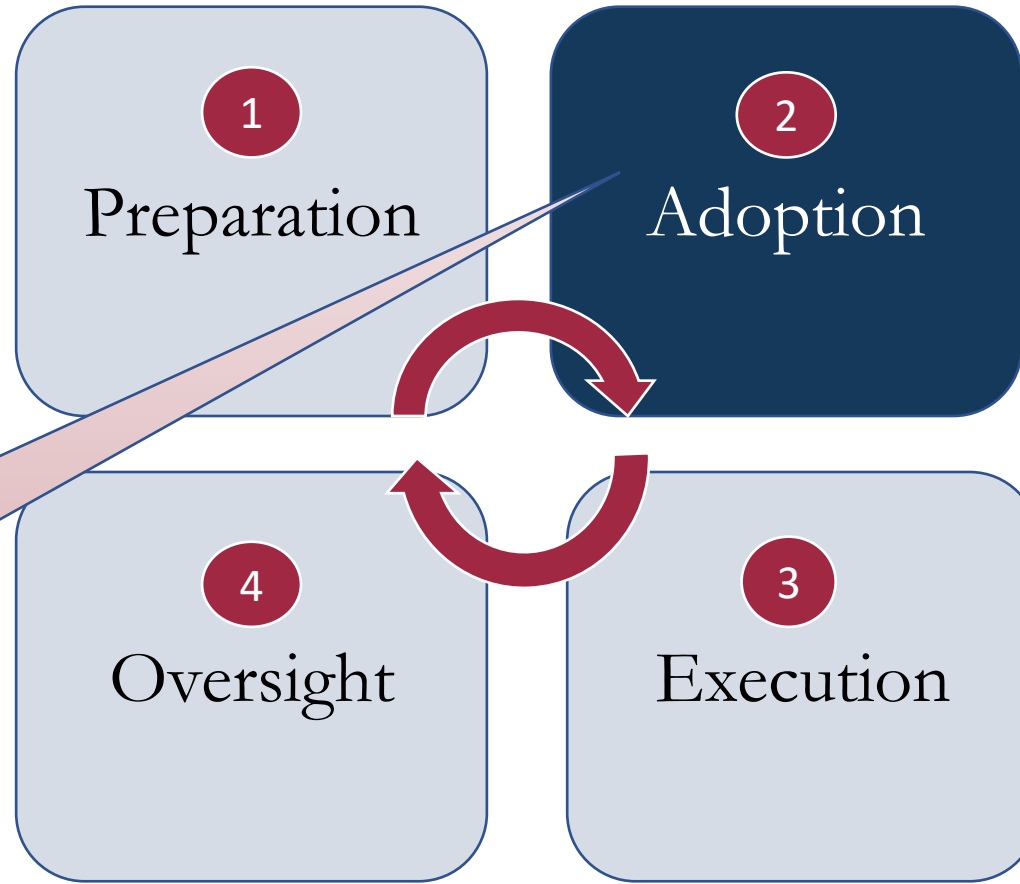


# Section 6 – The Budget Process (Preparation)

## Forecasting Property Tax Revenue in a Reappraisal Year

- Do not delay your budget process during a reappraisal year.
- The budget is based on estimates and the expectation of our office is for the certified property tax rate and annual budget to be adopted simultaneously and timely during a reappraisal year.
- If there are special circumstances, local officials should contact your financial analyst and we will work with you and the State Board of Equalization to address the situation.

# Section 6 – The Budget Process



- Timely Adoption
- Continuation/Extension
- Legal Form
- Balanced Budget
- Budgetary Basis

# Section 6 – The Budget Process (Adoption)

## Timely Adoption & Budget Continuations

TRUE, FALSE, or IT DEPENDS

If a local government adopts a continuation budget prior to the beginning of the budget year or operates pursuant to a budget continuation statute, this meets the requirement of adopting a budget prior to the beginning of the budget year.

# Section 6 – The Budget Process (Adoption)

## Timely Adoption & Budget Continuations

TRUE, **FALSE**, or IT DEPENDS

If a local government adopts a continuation budget prior to the beginning of the budget year or operates pursuant to a budget continuation statute, this meets the requirement of adopting a budget prior to the beginning of the budget year.

# Section 6 – The Budget Process (Adoption)

## Timely Adoption & Budget Continuations

- Before the budget year begins
- Budget Calendar
- Estimates

- Permitted by state law
- Counties, metropolitan governments, and municipalities

Two Month Statutory Requirement  
§§ 7-82-501, 9-21-404, 68-221-611, 68-221-1306

# Section 6 – The Budget Process (Adoption)

## Legal Form of the Annual Budget Document



- Municipalities
  - Budget Law of 1982
  - Other state law or private charter
- Counties & Metropolitan Governments
- Utility Districts and Authorities
  - Minutes vs. Resolution

# Section 6 – The Budget Process (Adoption)

## Legal Form of the Annual Budget Document

TRUE, FALSE, or IT DEPENDS

A municipality has a private act charter; therefore, they are exempt from the ordinance requirements of the Budget Law of 1982.

# Section 6 – The Budget Process (Adoption)

## Legal Form of the Annual Budget Document

TRUE, FALSE, or **IT DEPENDS**

A municipality has a private act charter; therefore, they are exempt from the ordinance requirements of the Budget Law of 1982.

# Section 6 – The Budget Process (Adoption)

## Legal Form of the Annual Budget Document

### Tenn. Code Ann. § 6-56-202

This part (the Municipal Budget Law of 1982) applies to **any** municipality that does not have budget provisions in its charter that are at least **as detailed** as provided by § 6-56-203(1) and (3).

### Municipal Budget Ordinance

GENERAL FUND	Actual FY 2020	Estimated Actual FY 2021	Budget FY 2022
<b>Revenues</b>			
Local Taxes	\$ -	\$ -	\$ -
Licenses And Permits	-	-	-
Intergovernmental	-	-	-
Charges For Services	-	-	-
Fines And Forfeitures	-	-	-
Other	-	-	-
<b>Other Financing Sources</b>			
Issuance of Debt / Debt Proceeds	-	-	-
Sale of Capital Assets	-	-	-
Transfers In - from other funds	-	-	-
Transfers In - from other funds (PILOT)	-	-	-
<b>Total Revenues and Other Financing Sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Appropriations</b>			
<b>Expenditures</b>			
Department of Administration	\$ -	\$ -	\$ -
Police Department	-	-	-
Fire Department	-	-	-
Office of Building Inspector	-	-	-
Parks Department	-	-	-
Debt Service - Principal and Interest	-	-	-



# Section 6 – The Budget Process (Adoption)

## Balanced Budget

Tennessee law has balanced budget requirements for counties, metropolitan governments, municipalities, utility districts, water and wastewater treatment authorities, and other local governments.

- Estimated Revenue
- Other Financing Sources
- Beginning Unrestricted Fund Balance



- Estimated Expenditures
- Other Financing Uses
- Entity's Minimum Fund Balance Policy

# Section 6 – The Budget Process (Adoption)

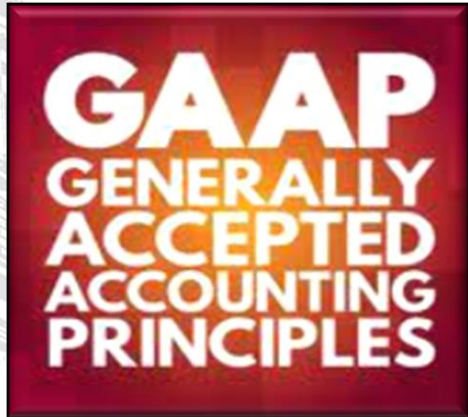
## Structurally Balanced Budget

- Recurring revenues are budgeted to pay for recurring expenditures
- A structurally unbalanced budget may be a sign of financial distress
- If your local government plans to adopt a structurally unbalanced budget, you should contact our office.



# Section 6 – The Budget Process (Adoption)

## Budget Basis



Generally Accepted Accounting Principles (GAAP)

- Fund Level
- Modified Accrual Basis – General Fund, Special Revenue Funds, and Debt Service Fund
- Accrual Basis – Proprietary Funds (Utility Funds)

# Section 6 – The Budget Process (Adoption)

## Utility Systems

The budget a should be adopted to comply with requirements of the respective Utility Board that has oversight for your system:

- Utility Management Review Board (UMRB)
  - Utility Districts
- Water and Wastewater Financing Board (WWFB)
  - Municipal, County, or Metropolitan Governments with a Water or Sewer System
  - Water and Wastewater Treatment Authorities

# Section 6 – The Budget Process (Adoption)

## Utility Systems

### WWFB & UMRB Financial Distress Indicators

1. Statutory decrease in net position for 2 consecutive years;
2. Defaulted debt; or
3. A negative ending net position balance.



# Section 6 – The Budget Process (Adoption)

## Utility Systems

### Statutory Change in Net Position:

Change in Net Position (GAAP Basis)

\$ \_\_\_\_\_

Less: Grants – Capital

\$ \_\_\_\_\_

Grants – Operating

\_\_\_\_\_

Capital Contributions

\_\_\_\_\_

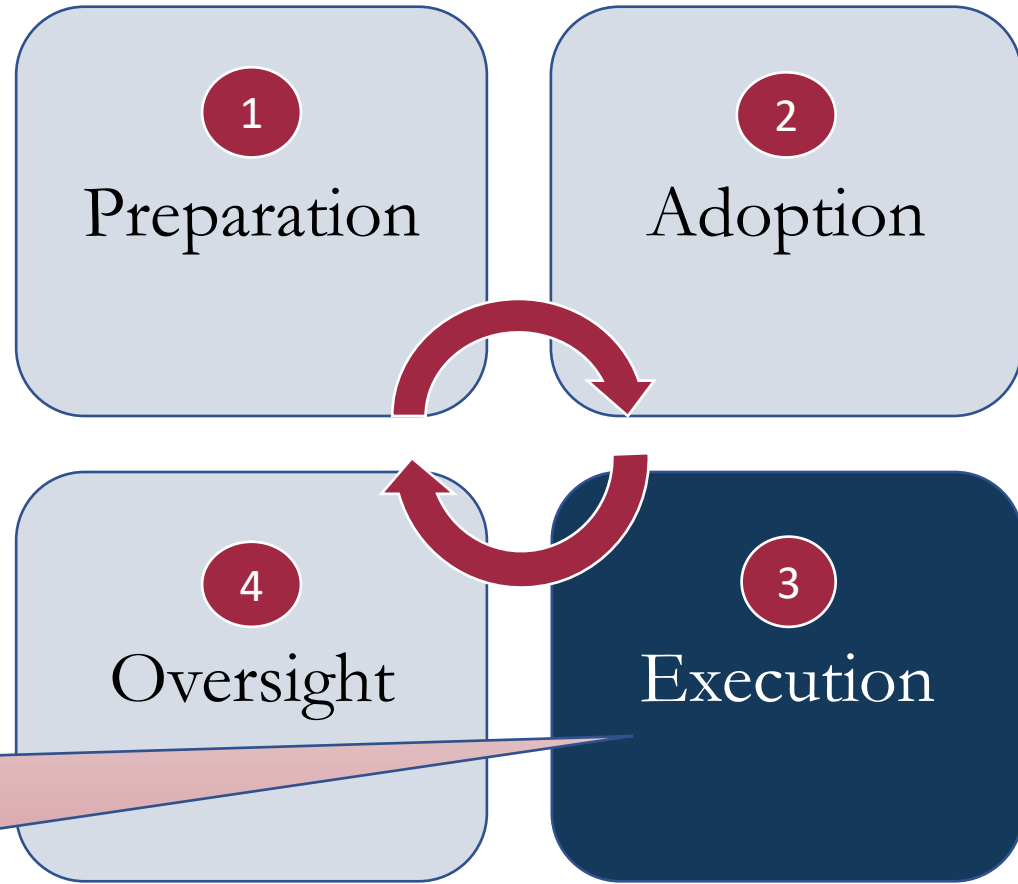
Interfund Transfers from Other Funds

\_\_\_\_\_

Statutory Change in Net Position

\$ \_\_\_\_\_

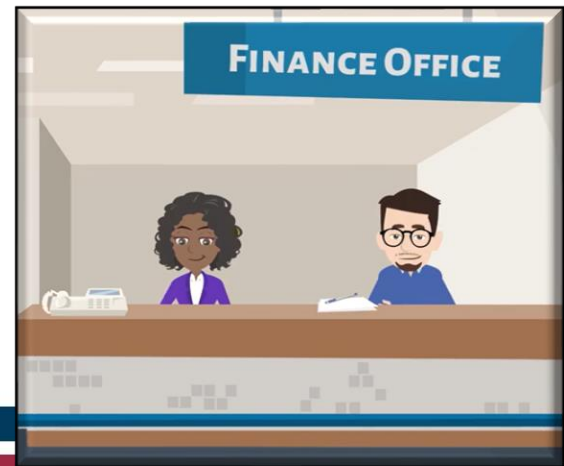
# Section 6 – The Budget Process



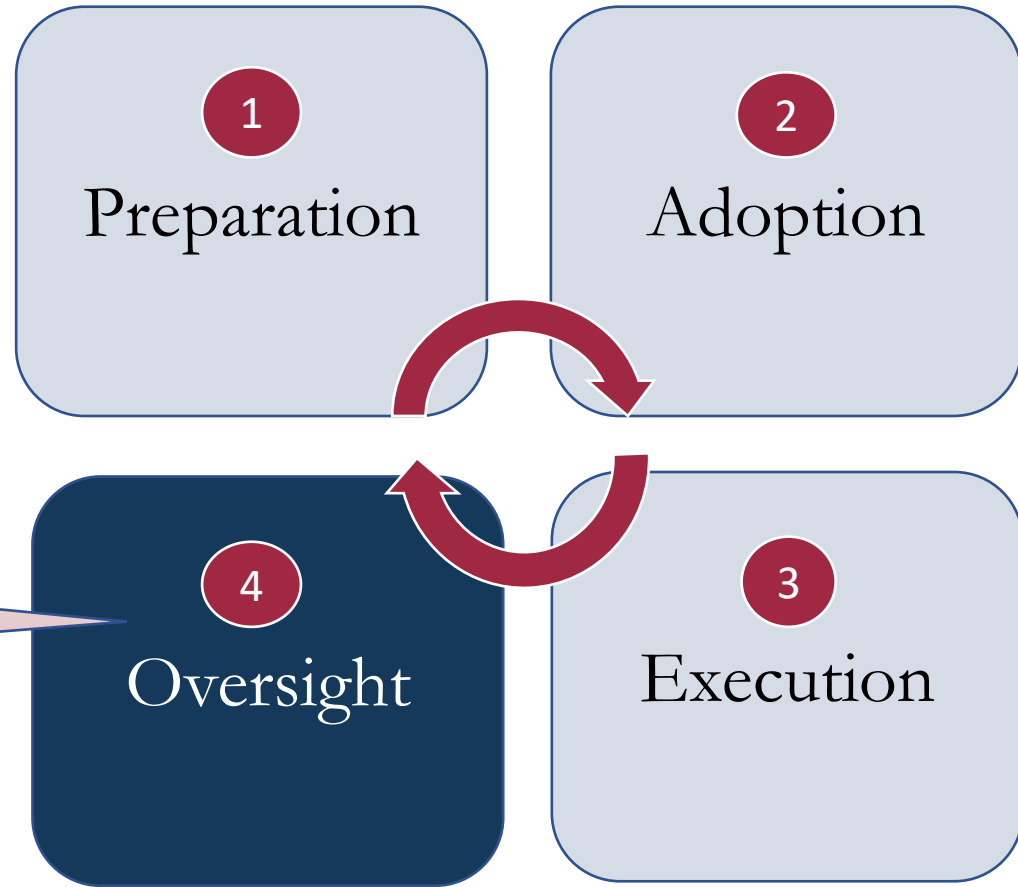
- Monthly Budget to Actual Reports
- Budget Amendments
- Allotments and Impoundments

# Section 6 – The Budget Process (Execution)

- Assign responsibility (department-level)
- Monitoring
  - Systematic review to ensure your government is within spending levels
  - Establishes an expectation of accountability (monthly budget to actual reports)
  - Enables you to respond quickly to financial distress identified as part of the monitoring process
- “Amend before you Spend”
  - Send amendments to: [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov)



# Section 6 – The Budget Process



- Approvals
- Audits
- Utility Boards

# Section 6 – The Budget Process (Oversight)



**APPROVALS**



**AUDITS**

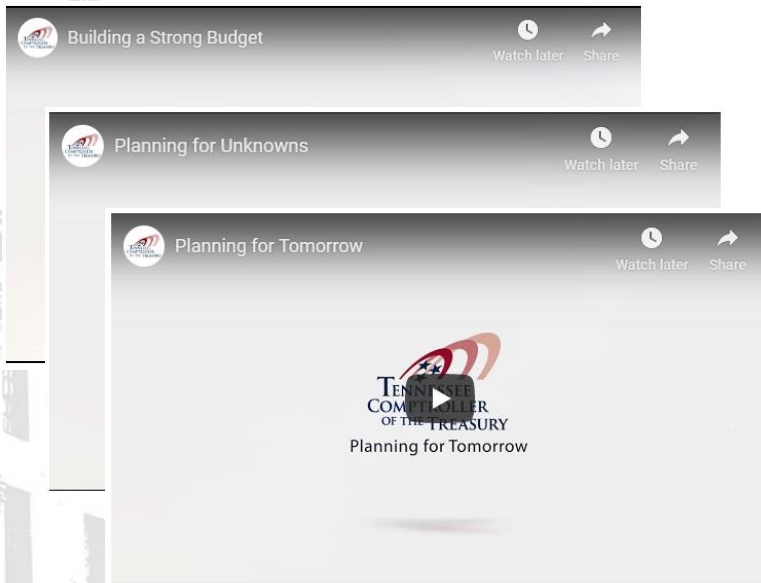


**UTILITY BOARDS**

**TENNESSEE COMPTROLLER OF THE TREASURY**



# Section 7 – Best Practices



[tncot.cc/7keys](http://tncot.cc/7keys)

Click for a Printable  
PDF of this  
Information

TENNESSEE COMPTROLLER OF THE TREASURY



DIVISION OF LOCAL GOVERNMENT FINANCE

## SEVEN KEYS TO A FISCALLY WELL-MANAGED GOVERNMENT

For more information, visit [tncot.cc/7keys](http://tncot.cc/7keys)

### BUILDING A STRONG BUDGET FOR A RESILIENT GOVERNMENT

**Structurally Balanced Budget** – A budget is structurally balanced when recurring revenues are sufficient to pay recurring expenditures. Recurring revenues can be relied on every year (property taxes, sales taxes, wheel taxes). Recurring expenditures are those required for normal governmental operations (debt payments, salaries, pension payments). Using overly optimistic revenue projections or underestimating expenditures, as well as relying on one-time revenue from selling assets, restructuring debt, spending savings, or deferring maintenance indicate the budget is not structurally balanced. [TCA § 9-21-403]



**Cash Flow Management** – A local government's ability to track how much revenue is coming into the government and how much is going out is vital to its fiscal health. Local governments that rely heavily on property taxes will need larger cash reserves to fund governmental services until tax revenue is received. Prior to its adoption, the budget must contain adequate revenues along with cash on hand to fund the government throughout the year. In addition, local governments need to have plans in place if additional sources of liquidity either internally (interfund tax anticipation note "TAN") or externally (bank issued TAN) prove to be necessary. [TCA § 9-21-801]



**Forecasting Budgetary Amounts** – Mechanisms for forecasting revenues and expenditures that consider economic trends and growth rates provide for reliable revenue estimates.



Local governments that do not routinely forecast budgetary amounts may find revenues overstated and expenditures understated. [TCA § 9-21-403]

### PLANNING FOR UNKNOWNNS

**Rainy Day Reserve** – Beyond liquidity management, local governments need to have reserves for unforeseen events like natural disasters or economic downturns. A government that creates a rainy-day fund should at times expect to use the reserves, but also have a policy for replacing the funds.



**Contingency Spending Plans** – Knowledge of what part of a budget is discretionary and can be legally and practically cut is necessary for dealing with unforeseen circumstances. If an event decreases a significant revenue source or increases spending during a year and revenues cannot be adjusted quickly then cuts to expenditures are necessary. Prior planning as to what cuts will be made will expedite the recovery.

### PLANNING FOR TOMORROW

**Long-Term Liability Planning** – Debt, pension, and OPEB payments are set amounts in the annual budget. The larger these payments are, the less ability the governing body has to make changes to the budget. Ongoing decisions of whether to issue additional debt or to make changes to benefits have a direct budgetary impact that must be considered. When the repayment of long-term liabilities comprise a large percentage of the budget, consistent management of the government's obligations is essential.



**Multi-Year Financial Planning** – Having a plan that considers the long-term affordability of programs or projects before they become an item in the annual budget is crucial. Assets will need to be replaced, maintenance performed, and programs expanded; advanced planning of these items will help ensure the funding is available in the future.

# Section 7 – Best Practices

Best Practices from the Government Finance Officers Association (GFOA)

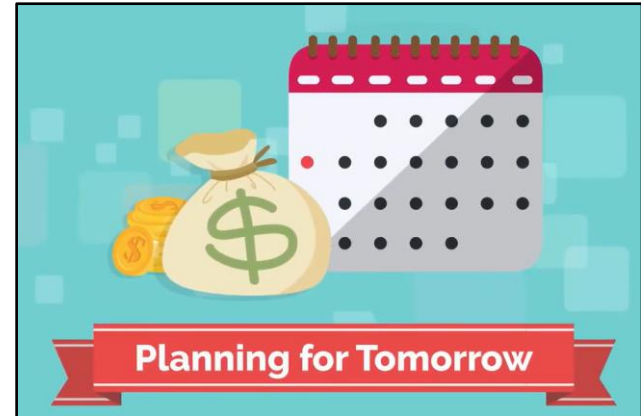
The following best practices published by GFOA support areas addressed in the Seven Keys to a Fiscally Well-Managed Government:

- Achieving a Structurally Balanced Budget
- Financial Forecasting in the Budget Preparation Process
- Long-Term Financial Planning
- Using Cash Forecasts for Treasury and Operations Liquidity

# Section 7 – Best Practices

GFOA also has other budgetary best practices including, but not limited to:

- Establishment of Strategic Plans
- Multi-Year Capital Planning
- Capital Budget Presentation
- Working Capital Targets for Enterprise Funds
- Public Engagement in the Budget Process



We recommend local governments review and implement best practices from GFOA as part of your budget policies and procedures, making any necessary changes to address state and local laws and regulations. Online access to GFOA's best practices is available at: [www.gfoa.org](http://www.gfoa.org)

# Appendix

1. Budget Preparation Outline
2. Budget Calendar Examples
3. County Continuation Budget Guidance
4. Resolution to Transfer Funds to the School Federal Projects Fund
5. County Budget Amendments
6. Municipality Budget Amendments – FAQs
7. Budget Cycle (Illustration)



# Online COT Budget Resources

[www.comptroller.tn.gov/office-functions/lgf.html](http://www.comptroller.tn.gov/office-functions/lgf.html)

- Example budget ordinances and resolutions
- Instructional Videos
- Budget Manual
- Budget Schedules
- Budget Submission Checklist
- Annual Budget Memo
- Cash Flow and Revenue Forecasting Tools
- Annual Budget Certificates
- Seven Keys

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# Conclusion

Accountability

Public Stewards

Annual Budget Certificate

7 Keys

Legal Restrictions

Spending Plan

LGF@cot.tn.gov

Fiduciary Duty

Revenue Shortfalls

Principal and Interest

**If you fail to plan, you are planning to fail.**

Cash Liquidity

Utilities



Pension and OPEB

Structurally Balanced

**are planning to fail.**

Oversight

Amend before you Spend

**- Benjamin Franklin**

Political

Budget Schedules

Campaign Promises

Fund Balance Levels

Property Taxes

Transparency

POLICIES

Trust

Timely Adoption

Services (Streets, Police, Utilities)



TENNESSEE COMPTROLLER OF THE TREASURY

Long-term Capital Planning

# Division of Local Government Finance

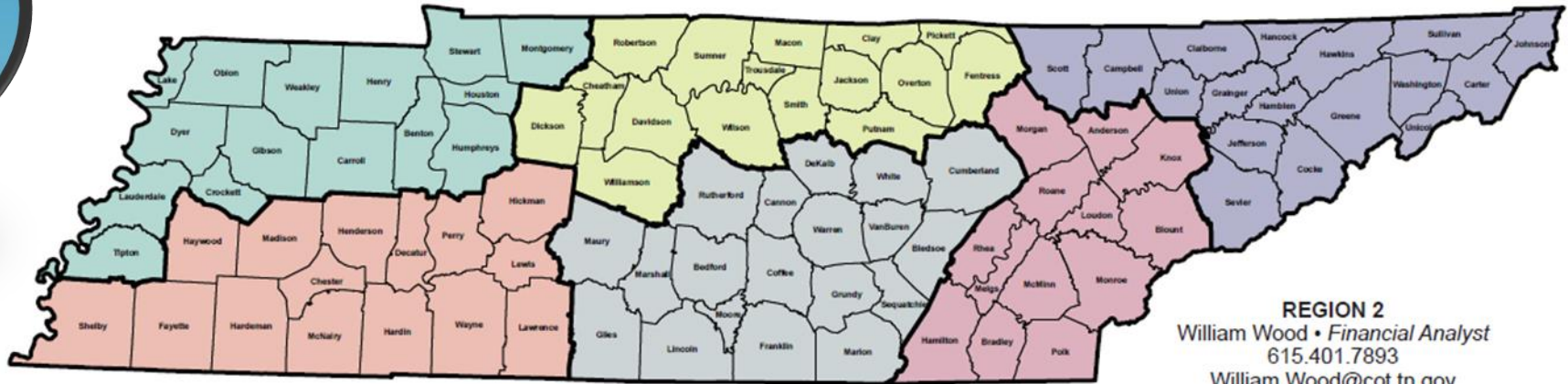
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**615.401.7829**



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