



April 25, 2024

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# Operating Budgets

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Dear Reader:

The following document was created from the CTAS website ([ctas.tennessee.edu](http://ctas.tennessee.edu)). This website is maintained 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 CTAS website 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.

## Budget Handbook

Reference Number: CTAS-714

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. 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.](#)

Recommended Practice: Develop a Budget Handbook

## 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:

- Ambulance service
- 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
- 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)

**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.

## 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.

## Budget Preparation

Reference Number: CTAS-719

## Budgeting Formula

Reference Number: CTAS-720

Preparing a budget is a systematic method of determining available funds and how the funds are to be expended. A basic formula has been developed to prepare a budget.

1. Establish beginning balances as of July 1 (accumulated funds from previous fiscal year)
2. **Add** estimated revenue for the next fiscal year
3. **Add** transfers from other funds (See Section 5 on GASB 54)
4. A, B, and C equals estimated available funds for expenditures
5. **Subtract** estimated expenditures for the next year
6. **Subtract** transfers to other funds (See Section 5 on GASB 54)
7. All of the above equals estimated ending balances as of June 30

This formula applies to each separate fund for which a budget is prepared. In preparing a budget using this formula, the accepted principle in determining budget estimates is to *conservatively estimate revenues and adequately estimate expenditures*. [More details about the basic formula.](#)

Over-estimating revenues and under-estimating expenditures will jeopardize the financial condition of the local government, since it has no way to print money or borrow funds for current operations past June 30 of the current fiscal year. A soundly planned and financed budget is imperative to the local government's financial condition, especially when it must issue long-term bonds or notes.

Recommended Practice: Periodically during the budget process, prepare an Operational Statement for all

funds for the proposed budget.

## Fund Balance Classifications-GASB Statement 54

Reference Number: CTAS-728

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance and Governmental Fund Reporting. This latest GASB standard substantially alters the focus and terminology used for fund balance reporting. The purpose of the Statement is to improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Three considerations led to the replacement of the previous components of governmental fund balance:

- The previous terminology (i.e., reserved, unreserved, designated) was not self-explanatory and frequently was misunderstood by financial statement users.
- The previous components were often applied inconsistently in practice.
- Some questioned whether the focus on availability for appropriation continued to best serve the needs of financial statement users.

While the Statement's purpose is clear, only time will tell if the expected end result is realized once the theory is applied to practice. Several factors will have to be considered about this new standard as the annual budget is prepared.

The Statement redefines the definitions of the five types of governmental funds. County management should review these definitions and ensure that all current and, especially, any proposed new governmental funds meet the definition to be a separate fund. As counties in Tennessee prepared annual budgets for the 2010-11 Fiscal Year, CTAS analyzed every county special revenue fund statewide and worked closely with the counties and State Comptroller to identify and close over 100 governmental funds, across the State, which no longer met the definition of a separate governmental fund. Therefore, counties should have few, if any, governmental funds that currently do not meet the standard to be separate funds. However, as county management may consider creating new governmental funds in the future, management should be aware of each of the governmental fund definitions.

### New governmental fund definitions

General Fund--The general fund should be used to account for and report all financial resources not accounted for and reported in another fund. It is the principal operating fund of the county for governmental purposes.

Special Revenue Funds--Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Special revenue funds should not be used to account for resources held in trust for individuals, private organizations or other governments.

Capital Project Funds--Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds--Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Permanent Funds--Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Besides clarifying the existing governmental fund type definitions, the objective of Statement 54 is to

enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. No longer will reserves be reported in governmental fund balances and the term "undesignated fund balance" will also cease to be used. Because generally accepted accounting principles dictate that the financial report and the budget are inseparable elements in the financial administration process, county management must take the steps to ensure compliance with the new fund balance reporting requirements as they prepare the annual operating budget. Before converting existing fund balance classifications to be GASB Statement 54 compliant, county management (finance/budget officer) must become familiar with the new fund balance classifications and the definitions of each of these new terms.

### **New fund balance classifications**

Nonspendable Fund Balance--Portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance--Portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance--Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned Fund Balance--Amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed (excluding stabilization arrangements). Assigned fund balance will be the minimum level of residual fund balance in all governmental funds except the county general fund and general purpose school fund.

Unassigned Fund Balance (formerly undesignated)--Residual classification for the general fund and the general purpose school fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund and general purpose school fund. While it is noted that the general purpose school fund is a special revenue fund, in Tennessee counties it is recognized as the general fund of the school component unit, and therefore, unassigned fund balance amounts are permissible per the State Comptroller.

Once county management (finance/budget officer) has become familiar with the new fund balance classifications, all existing governmental fund balances should be converted to the new fund balance classifications (preferably before the budget process for Fiscal Year Ending June 30, 2012 begins and no later than June 30, 2011). County management that finds a need for assistance with fund balance classification conversion pursuant to GASB Statement 54 should contact their CTAS field consultant.

GASB Statement 54 also encourages counties with fund balance policies to place these policies in writing and formally adopt them. However, a minimum fund balance policy is not required by the statement. Additionally, counties are encouraged to adopt formal spending prioritization policies (i.e. spend assigned amounts before committed). While GASB Statement 34 required counties to have a policy for determining whether restricted or unrestricted amounts were spent first, in practice very few counties have actually approved such policies. In counties that have not formally approved a spending prioritization policy, the Statement provides a "default" policy that stipulates that committed amounts would be reduced first, followed by assigned amounts, and then unassigned when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

While fund balance reserves will no longer be used in external financial reporting, numerous Tennessee state laws require counties to track certain restricted unspent funds (certain litigation taxes, sex offender fees, courtroom security, etc). Counties should be tracking the beginning and end of year reserve balances, with the yearly activity for these reserves already and posting to the general ledger at June 30th. CTAS recommends counties to maintain a simple subsidiary ledger for these reserves on a Microsoft Excel (or similar) spreadsheet and then convert these amounts at year end to the proper restricted equity accounts (per the uniform chart of accounts) and then post these end of year restricted balances to the general ledger on June 30th.

One of the more interesting aspects of GASB Statement 54 fund balance reporting was the discontinuance of reporting a reserve for encumbrances in the governmental funds. The GASB discussed the question of whether encumbrances meet the criteria to be included in the restricted, committed or assigned fund balance classifications and arrived at the conclusion that an encumbrance does not represent any further constraint on the use of amounts than is already communicated by the established Statement 54 fund

balance classifications. With this in mind, the end of year encumbrance balance will be reclassified into restricted, committed or assigned fund balance. See [Balance Sheet Governmental Funds](#).

However, for budgetary reporting purposes, the year-end encumbrance reserve will be reversed at the beginning of the next year (out of the restricted, committed or assigned fund balance classifications) and carried forward as a prior-year encumbrance reserve (along with any current year encumbrance reserves) for interim financial reporting purposes. County management (budget/finance officer) needs to be aware that when reviewing the prior year audited financial statements (after Statement 54 implementation) they will no longer see a reserve for encumbrances on the face of the financial statements. However, information about significant encumbrances should be disclosed in the notes to the financial statements in the audit report and management should be able to locate this information there.

#### Reserve Equity Accounts

Recommended Practice: Develop a series of spreadsheets for each common reserve prior to the end of the fiscal year. Review the prior year audit, the specific revenue and expenditure as noted in T.C.A. to calculate if any reserve exists. If one does, then ensure the accounting records reflect the reserve at year end closing.

## Forms and Supplementary Schedules

Reference Number: CTAS-732

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.

## 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

## Three-Star Program

**Reference Number: CTAS-2153**

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. Communities are certified as Level I, II, or III Three-Star Communities based on point values for completion of defined basic and optional program criteria.

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 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 alternative 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.

## Budget Document

Reference Number: CTAS-736

How does your local government's budget document look? Many local governments place a high importance on the development and presentation of the budget document. Here are some ideas for compiling the official budget document.

1. Cover–The cover of the budget document reflects the public officials' pride or confidence in their community; the community image they are trying to give to non-county officials, such as investors.
2. Contents–The following are required to be included in the budget document:
  - Summary statement of proposed operations by fund classification. This is a very important statement. It reviews the overall financial condition of the county, and the budget as approved.
  - Debt service requirements by fiscal year.
  - Individual fund budgets.
  - Appropriation resolutions.
  - Property tax levy resolution.
  - Nonprofit charitable resolution.

Other recommendations to include in the budget document are

- Letter of transmittal. The operating department heads and the budget committee may want to summarize the needs and accomplishments of their department.
- Roster of county officials. This can also serve as the county directory.
- Members of the legislative body and committee assignments. This would be helpful in seeking information about the legislative body.
- Comparison of property assessments. This would compare the four major classifications of property assessments from the current year and the proposed year.
- Other statistical data.
- Five year average for highway revenue.

Recommended Practice: Annually publish a budget that includes information useful for current and future budget decisions.

## Issues Affecting the Budgeting Process

Reference Number: CTAS-737

With pressure groups, the general public, and state and federal governments demanding greater services from local governments, planning ahead is an absolute must to prevent a financial crisis.

## Communications

Reference Number: CTAS-738

Generally, people will react to problems and the solving of problems in a similar manner when they have

the same information or knowledge of the problem and alternative solutions. The point is that some government officials feel that it is unnecessary to communicate all they know about a problem or how it can be solved. They expect the legislative body to raise taxes based on their recommendations without having sufficient information. To motivate the legislative body or other officials to change or solve a problem, sufficient data should be presented to them so that a reasonable decision can be achieved.

## Basic Education Program (BEP)

Reference Number: CTAS-739

The Basic Education Program (BEP) was passed into law by then Governor Ned McWhorter and the General Assembly in 1994. The funds generated by the BEP are what the state has defined as sufficient to provide a basic level of education for Tennessee students. This basic level of funding includes both a state share of the BEP and a local share of the BEP.

The BEP has three major categories: instruction, classroom, and non-classroom. Each category is made up of separate components related to the basic needs of students, teachers, and administrators within a school system. [BEP funding allocation example](#)

There are 45 BEP components, most of which are based on student enrollment, also known as average daily membership (ADM). An example of these components are students per teacher, assistant principals per school, or dollars per student for textbooks. They are explained in the [State of Tennessee BEP 2.0 brochure](#).

Funds generated in the instructional component must be spent on instructional salaries and benefits. In total the state funds up to 70% or higher depending on your fiscal capacity of the instructional component, and the local funds 30%.

Funds generated in the classroom components must be spent in either classroom components or in instructional components. State funding is 75% and 25% local.

Funds generated in the non-classroom component must be spent on non-classroom, classroom component or instructional. The state funds 50% of the non-classroom with local funds at 50% also.

### Fiscal Capacity

Fiscal capacity is the ability of local governments to fund education from their own taxable sources. The state and local share for each school system is based on an equalization formula that is applied to the BEP. This equalization formula is the primary factor in determining how much of the BEP is supported by the state versus the local district.

There are 2 components in the formula for calculating fiscal capacity. One is TACIR (Tennessee Advisory Commission on Intergovernmental Relations); this is half (50%) of the equation. It uses local revenue, property tax, sales tax, per capita income, ratio of residential & farm to total assessment, and ratio of average daily membership to population.

The Fox model is based on the sum of property tax and sales tax. This new formula determines a county's capacity to raise local revenues for education from its property and sales tax base. This came out of the change of the BEP formula when the BEP 2.0 was implemented. When applied locally, the state and local equalization shares for County System A would be the exact same state and local shares for the cities.

## 3% Fund Balance Test

Reference Number: CTAS-740

Public Chapter 223 materially changed the state statute regarding uses of unassigned fund balance; however, the 3% fund balance test will have to be met before a Local Education Association's budget will be approved.

There are provisions applicable after the operating budget is adopted that allow for the use of fund balance. It shall be available to offset shortfalls of budgeted revenues and shall be available to meet unforeseen increases in operating expenses, i.e., major increases in fuel prices or utility cost.

The accumulated fund balance in excess of three percent (3%) of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for any education purposes but must be recommended by the board of education prior to appropriation by the local legislative body.

## Property Tax Freeze

Reference Number: CTAS-741



In November 2006, the voters of Tennessee approved an amendment to [Article II, Section 6](#) of the Tennessee Constitution that gave the Tennessee General Assembly the authority to authorize cities and counties the option to implement a property tax freeze program for individuals 65 and older. As a result of the amendment to the Tennessee Constitution, the Tennessee General Assembly passed the "Property Tax Freeze Act" in June 2007, which was codified in T.C.A. § 67-5-705. Review the [Tennessee Tax Freeze Jurisdictions](#). The program requirements, rules and regulations can be found on the [Tennessee Comptroller of the Treasury – Division of Property Assessments' web site](#).

The enactment of this program will allow counties by resolution to freeze the amount of property taxes paid by those individuals 65 years of age or older who qualify to be frozen at their current level. If a county enacts this program, it will require the Assessor of Property, the Trustee and the Budget/Finance Director to work more closely than before because of the program requirements. The program's requirements will require the county to calculate their penny using both their normal assessment total and their property tax freeze assessment totals. For example, County A who will start their budgetary process in February, will receive their initial assessment total from the Assessor. While the county is working on its initial budget, the tax freeze program is continuing for the Trustee and the Assessor. The deadline for the eligible participants to qualify is 35 days after the delinquency date. Once that deadline has passed, the Trustee has 15 days to compile that list and then turn the list over to the Assessor, who then has 60 days to certify the tax assessment base and turn the information over to the county.

Here is an example of how a county might be affected by the program. County A is calculating its penny from its initial assessment total provided by the Assessor of Property:

<b><u>Initial Assessment</u></b>	<b><u>Variance Rate</u></b>	<b><u>Penny Calculation</u></b>	<b><u>Net Penny</u></b>
\$814,530,604	6%	\$81,453- (4,487)	\$76,966

If County A does not intend on raising their property tax rate, the county is in position to proceed with their budget process. Now as a result of County A having passed the resolution to participate in the Property tax Freeze Program, the following information is needed from both the Trustee and the Assessor of Property:

<b><u># of Participants</u></b>	<b><u>Assessment Total</u></b>	<b><u>New Assessment Total</u></b>
1,093	\$21,558,457	\$792,972,147

Now for County A who wants to raise its property tax rate, the following calculation is used:

<b><u>New Assessment</u></b>	<b><u>Variance Rate</u></b>	<b><u>Penny Calculation</u></b>	<b><u>Net Penny</u></b>
\$792,972,147	6%	\$72,297-(4,338)	\$67,959

So the negative effect of the Property Tax Freeze Program will be a reduction in the assessment total, which will lead to a reduction in the county's penny calculation. Instead of County A being able to use \$76,966 per penny for any incremental property, the county now has to use \$67,959 –a net loss of \$9,007 per penny for each incremental property tax increase. This reduction in turn can potentially limit County A's ability to raise the amount of property needed to fund its operations. Upon the adoption of a property tax freeze, calculations must be made for additional penny values.

[Example of property tax freeze calculations for tax aggregate freeze totals.](#)

## Operating Budget Resource Materials

Reference Number: CTAS-2080

[Sample Letter of Agreement](#)

## County Budget Laws

Reference Number: CTAS-2114

Charters

**County**

Shelby  
Knox  
Davidson  
Moore  
Trousdale

**Budget Law**

Charter  
Charter  
Metro Charter  
Metro Charter  
Metro Charter

1957 Act With Schools

**County**

Blount  
Johnson  
Loudon  
Roane

1957 Act Without Schools

**County**

Cheatham  
Cocke  
Dickson  
Greene  
Jackson  
Lawrence  
Montgomery  
Overton  
Smith  
Washington

Williamson (with 1990 Budget Law)

Private Acts

**County**

Benton  
Dyer  
Gibson  
Grainger  
Hardeman  
Henry  
Marshall  
Maury  
McNairy  
Meigs  
Rutherford  
Sullivan  
Sumner  
Tipton

1993 Law

**County**

Decatur  
DeKalb  
Hardin

1981 Act

**County**

Anderson  
Bedford  
Campbell  
Cannon  
Carter  
Claiborne  
Cumberland  
Fentress  
Franklin  
Giles  
Henderson  
Hickman  
Jefferson  
Lincoln  
Madison



**County**

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

<sup>1</sup> All other counties are under general law budgeting provisions.

## Department Budget by Object Code

Reference Number: CTAS-2081

### Department Budget by Object Code

#### Expenditures

##### 55130Ambulance

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

## Line-item Budget

Reference Number: CTAS-2081

### Partial Line Item Budget

This is an excerpt from a county appropriation resolution. It reflects the ambulance service department budget, listed in the other exhibit by object code, as a line item within the Public Health and Welfare section.

#### Public Health & Welfare

Ambulance Service	\$1,212,686
Other Local Health Services	50,000
Regional Health Services	25,000
Appropriations to State	100,000
General Welfare Assistance	\$1,387,686

## Sample Budget Calendar

Reference Number: CTAS-718

### **SAMPLE BUDGET CALENDAR**

\_\_\_\_\_ County

For the Fiscal Year 20\_\_

#### *PHASE ONE: Adoption of Budgeting System*

<b>Dates</b>	<b>Responsibility</b>	<b>Procedures or Action To Be Taken</b>
November 1–January 1	Committee & Department Heads	Develop procedures, budget forms and budget calendar
January 2–31	County Legislative Body	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*

<b>Dates</b>	<b>Responsibility</b>	<b>Procedures or Action To Be Taken</b>
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	Present budgets to county legislative body

## Heads

**PHASE THREE: *Review, Analysis and Recommendations***

<b>Dates</b>	<b>Responsibility</b>	<b>Procedures or Action To Be Taken</b>
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***

<b>Dates</b>	<b>Responsibility</b>	<b>Procedures or Action To Be Taken</b>
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***

<b>Dates</b>	<b>Responsibility</b>	<b>Procedures or Action To Be Taken</b>
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__-__
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### General Fund

#### Estimated Revenues & Other Sources

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
<b>Total Estimated Revenues &amp; Other Sources</b>	<b>\$3,196,267</b>	<b>\$3,041,054</b>	<b>\$3,425,160</b>

Estimated Expenditures & Other Uses

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

**Highway/Public Works Department**Estimated 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
Estimated Ending Fund Balance-June 30	\$269,036	\$585,456	\$575,310
Employee Positions	18	18	23

**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
Estimated Ending Fund Balance-June 30	\$1,265,325	\$1,116,584	\$398,384
Employee Positions	229	334	340

**Debt Service Fund**Estimated 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

Estimated Expenditures & Other Uses

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 Local Government Finance (LGF) within 15 days of adoption. The Comptroller's letter states that "The county and its officials, by submission of their budget to LGF, 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 LGF.

Local Government Finance

## Appropriation Resolution

Reference Number: CTAS-2086

**RESOLUTION NO.** \_\_\_\_\_

**A RESOLUTION AUTHORIZING APPROPRIATIONS FOR THE VARIOUS FUNDS,  
DEPARTMENTS, INSTITUTIONS, OFFICES AND AGENCIES OF  
\_\_\_\_\_ COUNTY, TENNESSEE**

**FOR THE FISCAL 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 \_\_\_\_\_, 20\_\_\_, that the amounts hereinafter set out are hereby appropriated for the purpose of meeting the expenses of the various funds, departments, institutions, offices and agencies of \_\_\_\_\_ County, Tennessee. The amounts hereinafter set out are appropriated for the operating expenses, capital outlays, transfers, and for the payment of principal and interest on the County's outstanding debt maturing during the year beginning July 1, 20\_\_\_ and ending June 30, 20\_\_\_, according to the following schedule:

**GENERAL FUND**

County Commission	164,300
Beer Board	1,940
County Mayor	401,304
County Attorney	167,000
Election Commission	644,206
Register of Deeds	276,239
Codes Compliance	169,950
County Buildings	2,953,039
Other Facilities	423,299
Property Assessor's Office	156,934
County Trustee	435,076
County Clerk	935,566
Other Finance	734,600
Circuit Court	1,321,618
General Sessions	456,967
Drug Court	211,784
Chancery Court	348,899
Juvenile Court	223,300
Judicial Commissioners	148,366
Probation Services	52,700
Victim Assistance Program	305,375
Sheriff's Dept.	7,311,487
Jail	5,041,490
Workhouse	143,606
Juvenile Services	659,972
Commissary	360,000
Fire Prevention	968,940
Civil Defense	347,565
Other Emergency Services	168,627
County Coroner	254,900
Other Public Safety	1,044,000
Local Health Center	394,953
Ambulance Service	5,625,750
Other Local Health	74,800
General Welfare Assistance	5,000
Aid to Dependent Children	8,000
Other Public Health	1,527,400
Senior Citizens	84,170
Libraries	674,852
Parks & Fairboards	5,354
Other Social & Cultural	12,000
Agriculture Extension Svcs.	280,550
Forest Service	1,500



Soil Conservation	75,100
Airport	35,000
Veterans Services	112,123
Contributions to other Agencies	280,258
Employee Benefits	9,851,000
Miscellaneous	2,121,165
Transfers Out	0
<b>TOTAL GENERAL FUND</b>	<b>48,002,024</b>

**SOLID WASTE/SANITATION FUND**

Sanitation Management	5,153,810
Other Waste Collection	0
Landfill Operation	145,000
Other Waste Disposal	955,000
Postclosure Care Costs	217,600
<b>TOTAL SOLID WASTE</b>	<b>6,471,410</b>

**DEBT SERVICE FUND**

Capital Outlay	903,990
Education Debt Service	10,228,803
Other Debt Service	362,000
Public Safety Projects	7,174,456
Transfers Out	12,000,000
<b>TOTAL DEBT SERVICE</b>	<b>30,669,249</b>

**SAMPLE COUNTY ROAD FUND**

Administration	409,637
Highway & Bridge Maint.	3,892,550
Operation & Maint. Equip.	548,050
Other Charges	285,300
Capital Outlay	625,000
<b>TOTAL ROAD FUND</b>	<b>5,760,537</b>

**CHILD NUTRITION FUND**

Food Service	7,225,000
Operating Transfers	675,000
<b>TOTAL CHILD NUTRITION</b>	<b>7,900,000</b>

**EXTENDED SCHOOL PROGRAM**

Community Services	1,674,110
<b>TOTAL EXTENDED SCHOOL</b>	<b>1,674,110</b>

**DRUG CONTROL FUND**

Drug Enforcement	203,400
<b>TOTAL DRUG CONTROL</b>	<b>203,400</b>

**INDUSTRIAL/ECONOMIC DEVELOPMENT**

Development	13,800
Industrial Development	1,114,650
Miscellaneous	0
Transfers Out	103,925
<b>TOTAL INDUSTRIAL FUND</b>	<b>1,232,375</b>

**CAPITAL PROJECTS FUND**

County Buildings	16,067,000
<b>TOTAL CAPITAL PROJECTS</b>	<b>16,067,000</b>

**PRESERVATION OF RECORDS FUND**

Preservation of Records	104,000
<b>TOTAL OF PRESERVATION OF RECORDS</b>	<b>104,000</b>

**OTHER SPECIAL REVENUE FUND**

Preservation of Records	700
<b>TOTAL OF PRESERVATION OF RECORDS</b>	<b>700</b>

**SPORTS AND RECREATION FUND**

Parks and Fairboards	1,293,320
Other Social Recreation	166,150
<b>TOTAL OF SPORTS AND RECREATION FUND</b>	<b>1,459,470</b>

**COMMUNITY DEVEL. FUND**

Development	154,100
<b>TOTAL OF COMMUNITY DEVELOPMENT FUND</b>	<b>154,100</b>

**GENERAL PURPOSE SCHOOL FUND**

Regular Instruction Program	49,344,425
Alternative Instruction	688,785
Special Instruction Program	10,926,736
Vocational Education Program	2,090,091
Adult Education Program	0
Attendance	347,126
Health Services	1,261,265
Other Student Support	3,258,823
Regular Education Program	3,208,101
Support Alternative Service	156,766
Special Education Program	1,935,709
Vocational Education Program	128,062
Technology	1,732,149
Board of Education	2,023,135
Office of Director of Schools	178,537
Office of the Principal	7,534,342
Fiscal Services	1,060,227
Human Services/Personnel	287,976
Operation of Plant	8,186,908
Maintenance of Plant	2,682,386
Transportation	3,965,348
Central and Other	0
Food Service	470,511
Community Services	33,076
Early Childhood Education	1,973,504
Capital Outlay	0
<b>TOTAL GENERAL PURPOSE</b>	<b>103,473,988</b>

**TOTAL APPROPRIATIONS** **223,172,363**

**SECTION 2.** BE IT FURTHER RESOLVED that the budget for the School Federal Projects Fund shall be the

budget and all amendments approved for separate projects within the Fund by the Tennessee Department of Education and the local Board of Education.

**SECTION 3.** 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 & Master, Register and the Sheriff and their officially authorized deputies and assistants may severally 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 & Master, Register and the 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 such 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. If any fee officials, as enumerated in Tenn. Code Ann. § 8-22-101, operate under provisions of Tenn. Code Ann. § 8-22-104, provisions of the preceding paragraph shall not apply to those particular officials.

**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 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 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 amendment to the budget shall be approved as provided in Tenn. Code Ann. § 5-9-407. One copy of each amendment shall be filed with the County Clerk, one copy with the Chairman of the Budget Committee, one copy with each divisional or departmental head concerned. A description of the amendment, including its purpose and why it is needed during the current fiscal year; a statement disclosing the cost of the amendment by budget line item with subclassifications that shows each specific cost element, and the source of funding for the expenditure itemized by type must be included in the language of the amendment resolution. One copy of each amendment shall be submitted to the Comptroller's Division of Local Government Finance after its adoption. This section shall in no case whatsoever be construed as authorizing transfer from one fund to another but shall apply solely to transfer within a certain fund.

**SECTION 6.** 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, 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 the Comptroller's Division of Local Government Finance after its adoption as provided by Tenn. Code Ann. § 9-21-406.

**SECTION 7.** BE IT FURTHER RESOLVED that the County is hereby authorized to borrow money on tax and revenue anticipation notes, provided such notes are first approved by the Comptroller's Division of Local Government Finance, to pay for the expenses herein authorized until the taxes and other revenue for the fiscal year 20\_\_\_\_ - 20\_\_\_\_ have been collected. The proceeds of loans for each individual fund shall not exceed 60% of the appropriations of each individual 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 Tennessee Code Annotated Title 9, Chapter 21. 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 no later than June 30, 20\_\_\_\_.

**SECTION 8.** 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 9.** 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 June 30, 20\_\_\_\_.

**SECTION 10.** BE IT FURTHER RESOLVED that any resolution or part of a resolution which has heretofore 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 11.** 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\_\_.

PASSED THIS \_\_\_\_\_ of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_, County Mayor

Attest:

\_\_\_\_\_  
\_\_\_\_\_, County Clerk

## 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:

<b><u>FUND</u></b>	<b><u>Rate</u></b>
General	\$ 0.5568
General Purpose School	0.6987
General Debt Service	0.0855
Rural Debt Service	\$ 0.1931
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 nonprofit 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.

<b>No.</b>	<b>Agency</b>	<b>Amount</b>
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	3,000
	<b>Total</b>	<b><u>\$ 518,194</u></b>

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 appropriations to non-profit organizations and so this appropriation is made subject to compliance with any and all of these laws and regulations.

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\_\_.

## General Budget Preparation Form

Reference Number: CTAS-2089



### Budget Form B

**Budget Preparation Form/Personnel**

\_\_\_\_\_, County, Tennessee  
Estimated Requirement for Employee Services and Proposed Compensation Schedule for Fiscal Year Beginning July 1, \_\_\_\_\_

[illegible]

## Letter of Agreement/Compensation of Employees

Reference Number: CTAS-2091

LETTER OF AGREEMENT  
COMPENSATION OF EMPLOYEES

\_\_\_\_\_ COUNTY, TENNESSEE

Pursuant to Tennessee Code Annotated, Section 8-20-101, this agreement by and between \_\_\_\_\_ (Official/Office) and \_\_\_\_\_ (County Executive/Mayor)

is for the purpose of establishing the number of employees and the authorized salaries for the \_\_\_\_\_ (Office) \_\_\_\_\_. The parties named herein have agreed and do hereby enter into this agreement according to the provisions set forth herein:

A. The term of this agreement will be from (Beginning Date) to (Ending Date).

B. In order to insure the efficient operation of this office, it is agreed that the official is authorized to employ the following employees at salaries not to exceed the specified amounts:

Number of Employees	Job Classification	Annual Salary for Each Employee in Job Classification not to Exceed
1	Chief Executive Officer	\$1,000,000
1	President	\$800,000
1	Vice President	\$600,000
1	Senior Vice President	\$500,000
1	Executive Vice President	\$400,000
1	Senior Manager	\$300,000
1	Manager	\$200,000
1	Supervisor	\$150,000
1	Assistant Supervisor	\$100,000
1	Assistant Manager	\$80,000
1	Assistant Vice President	\$60,000
1	Assistant President	\$50,000
1	Assistant Chief Executive Officer	\$40,000
1	Assistant Secretary	\$30,000
1	Assistant Treasurer	\$20,000
1	Assistant Controller	\$15,000
1	Assistant General Counsel	\$10,000
1	Assistant Vice President of Finance	\$8,000
1	Assistant Vice President of Operations	\$6,000
1	Assistant Vice President of Marketing	\$4,000
1	Assistant Vice President of Sales	\$3,000
1	Assistant Vice President of Human Resources	\$2,000
1	Assistant Vice President of Information Technology	\$1,000
1	Assistant Vice President of Legal Affairs	\$1,000
1	Assistant Vice President of Compliance	\$1,000
1	Assistant Vice President of Environmental Affairs	\$1,000
1	Assistant Vice President of Social Responsibility	\$1,000
1	Assistant Vice President of Corporate Governance	\$1,000
1	Assistant Vice President of Investor Relations	\$1,000
1	Assistant Vice President of Public Affairs	\$1,000
1	Assistant Vice President of Government Relations	\$1,000
1	Assistant Vice President of Intergovernmental Affairs	\$1,000
1	Assistant Vice President of International Affairs	\$1,000
1	Assistant Vice President of Global Operations	\$1,000
1	Assistant Vice President of Global Marketing	\$1,000
1	Assistant Vice President of Global Sales	\$1,000
1	Assistant Vice President of Global Human Resources	\$1,000
1	Assistant Vice President of Global Information Technology	\$1,000
1	Assistant Vice President of Global Legal Affairs	\$1,000
1	Assistant Vice President of Global Compliance	\$1,000
1	Assistant Vice President of Global Environmental Affairs	\$1,000
1	Assistant Vice President of Global Social Responsibility	\$1,000
1	Assistant Vice President of Global Corporate Governance	\$1,000
1	Assistant Vice President of Global Investor Relations	\$1,000
1	Assistant Vice President of Global Public Affairs	\$1,000
1	Assistant Vice President of Global Government Relations	\$1,000
1	Assistant Vice President of Global Intergovernmental Affairs	\$1,000
1	Assistant Vice President of Global International Affairs	\$1,000
1	Assistant Vice President of Global Global Operations	\$1,000
1	Assistant Vice President of Global Global Marketing	\$1,000
1	Assistant Vice President of Global Global Sales	\$1,000
1	Assistant Vice President of Global Global Human Resources	\$1,000
1	Assistant Vice President of Global Global Information Technology	\$1,000
1	Assistant Vice President of Global Global Legal Affairs	\$1,000
1	Assistant Vice President of Global Global Compliance	\$1,000
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1	Assistant Vice President of Global Global Investor Relations	\$1,000
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1	Assistant Vice President of Global Global International Affairs	\$1,000
1	Assistant Vice President of Global Global Global Operations	\$1,000
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1	Assistant Vice President of Global Global Global Legal Affairs	\$1,000
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1	Assistant Vice President of Global Global Global Global Public Affairs	\$1,000
1	Assistant Vice President of Global Global Global Global Government Relations	\$1,000
1	Assistant Vice President of Global Global Global Global Intergovernmental Affairs	\$1,000
1	Assistant Vice President of Global Global Global Global International Affairs	\$1,000
1	Assistant Vice President of Global Global Global Global Global Operations	\$1,000
1	Assistant Vice President of Global Global Global Global Global Marketing	\$1,000
1	Assistant Vice President of Global Global Global Global Global Sales	\$1,000
1	Assistant Vice President of Global Global Global Global Global Human Resources	\$1,000
1	Assistant Vice President of Global Global Global Global Global Information Technology	\$1,000
1	Assistant Vice President of Global Global Global Global Global Legal Affairs	\$1,000
1	Assistant Vice President of Global Global Global Global Global Compliance	\$1,000
1	Assistant Vice President of Global Global Global Global Global Environmental Affairs	\$1,000
1	Assistant Vice President of Global Global Global Global Global Social Responsibility	\$1,000
1	Assistant Vice President of Global Global Global Global Global Corporate Governance	\$1,000
1	Assistant Vice President of Global Global Global Global Global Investor Relations	\$1,000
1	Assistant Vice President of Global Global Global Global Global Public Affairs	\$1

C. It is furthered agreed that part time help may be employed at a rate of up to \$\_\_\_\_\_ an hour with a total not to exceed \$\_\_\_\_\_ for the terms of this agreement.

D. The parties agree to the following special provisions: \_\_\_\_\_

\_\_\_\_\_

E. It is further agreed that in no event shall the amount of this agreement exceed \$\_\_\_\_\_.

IN witness whereof, the parties have set their signatures.

\_\_\_\_\_  
OFFICIAL \_\_\_\_\_ (Date)

\_\_\_\_\_  
COUNTY EXECUTIVE/MAYOR \_\_\_\_\_ (Date)

## Operation of Fund

Reference Number: CTAS-2092



## Operation of Fund/Fund Balance

### County County Mayor Budget

Date 01/31/	Per Audit Beginning Designation Reserve	Per Audit Estimated Fund Balance 7/1/20	Estimated Revenue	In Transfers	Total Available Funds	Proposed Expenditures	OUT Transfers	Ending Designation Reserves	Est Fund Bal w/Reserves 6/30/20	Est Fund Bal w/o Reserves 6/30/20	Recomm Property Tax	Effect on FND BAL
General Fund												
101 General	83,881	447,745	3,356,301	0	3,885,017	3,445,283	0	83,881	442,734	356,853	0.66	(88,802)
Special Revenue Funds												
118 Ambulance	0	338,765	974,962	0	1,313,767	1,102,722	0		211,035	211,035	0.11	(127,130)
122 Drug Control	0	7,601	6,000	0	13,601	0	0		13,601	13,601	0.00	6,000
131 Highway/Public Works	0	423,038	1,704,823	0	2,188,401	1,601,343	0		287,118	287,118	0.03	(138,520)
141 General Purpose Sch.	503,510	0	16,768,207	0	17,271,717	16,768,207	0		503,510	503,510	0.99	0
142 School Federal Proj.	0	0	2,241,839	0	2,241,839	2,241,839	0		0	0	0.00	0
143 School Food Service	0	0	1,188,500	0	1,188,500	1,188,500	0		0	0	0.00	0
Debt Services Fund												
151 General Debt Service	0	1,313,857	1,036,732	0	2,349,589	943,820	0		1,405,769	1,405,769	0.21	91,912
Capital Projects Fund												
172 Industrial/Economic Dev.	7,601	312,303	172,200	0	492,104	220,000	0		272,104	272,104	0.00	(47,800)
<b>TOTAL FUNDS</b>	<b>594,992</b>	<b>2,943,909</b>	<b>27,508,694</b>	<b>0</b>	<b>30,947,585</b>	<b>27,811,114</b>	<b>0</b>	<b>83,881</b>	<b>3,136,471</b>	<b>3,052,590</b>	<b>2.00</b>	<b>(302,430)</b>

2/17/2011

## Summary by Fund Account

Reference Number: CTAS-2092

Budget Summary

FY20\_\_

Fund	Beginning Spendable Fund Balance	Revenues	Debt Proceeds	Transfers-In	Estimated Receipts	Available F
General Fund	\$ 1,008,376	\$ 531,950	\$ 85,000	\$ -	\$ 616,950	\$ 1,622,326
Highway Fund	132,415	287,090	-	-	287,090	419,505
Solid Waste Fund	192,400	204,620	-	-	204,620	397,020
Drug Fund	1,041,621	1,673,000	-	-	1,673,000	2,714,621
General Purpose School Fund				-	-	
School Cafeteria Fund				-	-	
School Federal Projects Fund				-	-	
Water & Sewer Fund				-	-	
General Debt Service Fund				-	-	
<b>Totals</b>	<b>\$ 2,374,812</b>	<b>\$ 2,696,660</b>	<b>\$ 85,000</b>	<b>\$ -</b>	<b>\$ 2,781,660</b>	<b>\$ 5,156,502</b>
Debt Service						
	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>			<b>Princip</b>
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	\$0.0855	\$548,182	\$49,336	\$498,845

Total	<u>\$1.3410</u>	<u>\$8,594,067</u>	<u>\$773,466</u>	<u>\$7,820,601</u>
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\_\_\_\_\_ 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	\$0.0855	\$548,182	\$49,336	\$498,846
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>	<u>\$1,125,998</u>
Total	<u>\$1.5410</u>	<u>\$9,831,427</u>	<u>\$884,828</u>	<u>\$8,946,599</u>

## Notes:

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

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

3. 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
<b>First Level - Straight Year to Year Comparison</b>							
40110	Current Property Tax	18,344,800	15,920,000	15,920,000	15,813,211	(112,689)	2,419,000 **
40120	Trustee's Collections - Prior Year	635,800	650,000	650,000	647,647	(2,353)	(15,000)
40130	Circuit Clerk/Clerk & Master Collections - Prior Years	90,800	75,000	75,000	138,375	61,375	11,000 **
40140	Interest and Penalty	100,800	100,000	90,000	105,889	5,889	0
40150	Pickup Taxes	90,800	90,000	85,000	123,061	33,061	0
40161	Payments in Lieu of Taxes - T.V.A.	13,800	13,000	13,000	12,172	(628) *	0
40162	Payments in Lieu of Taxes - Local Utilities	110,800	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	9,427,800	10,090,000	10,093,000	9,529,423	(568,577) *	(869,000)
40270	Business Tax	390,800	390,000	395,000	471,700	76,700	(95,000)
40290	Other County Local Option Taxes	9,800	9,000	9,000	5,785	(3,215) *	0
40320	Bank Excise Tax	0	0	0	142,952	142,952	0
	<b>Total County Taxes</b>	<b>29,189,800</b>	<b>27,450,000</b>	<b>27,441,000</b>	<b>27,184,909</b>	<b>(274,091)</b>	<b>1,700,000 **</b>
41110	Marriage Licenses	4,700	4,800	4,800	5,593	1,593	700 **
41140	Cable TV Franchise	0	0	0	342,631	342,631	0
44110	Investment Income	110,800	173,000	171,000	189,544	16,544	(83,000)
44120	Lease/Rentals	27,800	27,000	27,000	28,233	1,233	0
46090	Mixed Drink Tax	40,800	40,000	48,000	44,582	(1,418)	(6,000)
46051	State Revenue Sharing - T.V.A.	1,111,800	1,134,000	1,134,000	1,297,514	163,514	(23,000)
	<b>Total Local Revenue per School Records</b>	<b>30,490,700</b>	<b>29,843,000</b>	<b>29,825,000</b>	<b>29,093,006</b>	<b>(250,000)</b>	<b>1,617,700 **</b>
Cap. Outlay	(Less) Local revenue increases for Capital Outlay	0	0	0	0	0	0
Debt Svc	(Less) Local revenue increases for Capital Outlay	0	0	0	0	0	0
	<b>Total Adjusted Local Revenue</b>	<b>30,490,700</b>	<b>29,843,000</b>	<b>29,825,000</b>	<b>29,093,006</b>	<b>(250,000)</b>	<b>1,617,700 **</b>
<b>Second Level - Per Pupil Revenue</b>							
	<b>Total Adjusted Local Revenue</b>	<b>30,490,700</b>	<b>29,843,000</b>	<b>29,825,000</b>	<b>29,093,006</b>		
	ADM (From BEP Allocation Sheet)	0	11,429	11,429	11,429		
	<b>Per Pupil Revenue</b>		<b>2,524</b>	<b>2,522</b>	<b>2,546</b>		

\*. 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 Aver- 2013-2014 2014-2015 2015-2016 2016-2017 2017-2018\* Total II. Fiscal Year Ap- 2018-2019

age						proppriation			
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					Five-Year Average				857,973
*estimate if audit figures are unavailable									

**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						<b>Five-Year Average</b>	<b>857,973</b>

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

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
<b>TOTAL ASSESSED VALUE</b>	<b>\$3,598,535,956</b>

## Assessment Valuation History

Reference Number: CTAS-2098



## Assessment Valuation History

	Reappraisal						Reappraisal				5/17/2004
For Budget Year	1998 F/R	1999 F/R	2000 F/R	2001 F/R	2002 F/R	2003 F/R	2004 Budget	2005 Proposed			
Property Tax Year											
Real & Personal	116,366,386	118,869,264	125,656,003	129,152,162	134,377,278	176,481,202	181,132,035	187,697,985			
Public Utilities	5,629,083	5,322,612	5,141,234	5,477,555	5,004,177	5,899,465	5,802,776	5,802,776			
Total Assessed Valuation	121,995,469	124,191,876	130,797,237	134,629,717	139,381,455	182,380,667	186,934,811	193,500,761			
F/R = Financial Report											
						Value of 1 penny Est Collection		0.0001			
								\$19,350			
								0.95			
						Budget Value of 1 penny		\$18,383			

## 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



<b>Total Assessed Value</b>	<b>\$3,568,242,202</b>
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

<b>Total Assessed Value</b>	<b>\$3,598,535,956</b>
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

**Balance Sheet Governmental Funds**

Reference Number: CTAS-2102

## County, Tennessee

## Balance Sheet

## Governmental Funds

	Major Funds							Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway/Public Works	General Debt Service	Education Capital Projects Dillrell	Education Capital Projects Morrison	Other	Governmental	Funds	
<b>ASSETS</b>										
Cash	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ 8,211,130	\$ 133,757	\$ 8,345,212		
Equity in Pooled Cash and Investments	2,004,717	858,418	718,967	9,021,338	2,202,130	\$	984,465	15,790,040		
Accounts Receivable	69,149	1,005,133	0	38,090	0	0	14,568	1,126,940		
Allowance for Uncollectible	0	(403,506)	0	0	0	0	0	(403,506)		
Due from Other Governments	648,659	0	829,735	35,468	0	0	12,438	1,526,300		
Due from Other Funds	13,601	0	0	30,863	0	0	0	44,464		
Due from Component Units	46,461	0	0	0	0	0	0	46,461		
Property Taxes Receivable	7,260,724	712,858	556,377	1,008,434	0	0	354,691	9,893,084		
Allowance for Uncollectible Property Taxes	(225,363)	(22,126)	(17,269)	(31,300)	0	0	(11,009)	(307,067)		
Notes Receivables - Current	0	0	0	375,202	0	0	0	375,202		
Accrued Interest Receivable	0	0	0	1,222	0	0	0	1,222		
Notes Receivables - Long Term	0	0	0	1,372,863	0	0	0	1,372,863		
<b>Total Assets</b>	<b>\$ 9,818,273</b>	<b>\$ 2,150,777</b>	<b>\$ 2,087,810</b>	<b>\$ 11,852,180</b>	<b>\$ 2,202,130</b>	<b>\$ 8,211,135</b>	<b>\$ 1,488,910</b>	<b>\$ 37,811,215</b>		
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts Payable	\$ 68,720	\$ 20,997	\$ 3,710	\$ -	\$ -	\$ -	\$ 7,927	\$ 101,354		
Accrued Payroll	102,910	29,507	0	0	0	0	5,773	138,190		
Payroll Deduction Payable	72,697	11,696	8,997	0	0	0	3,787	97,177		
Due to Other Funds	0	0	0	0	0	0	44,464	44,464		
Deferred Revenue - Current Property Taxes	6,728,465	660,601	515,591	934,509	0	0	328,689	9,167,855		
Deferred Revenue - Delinquent Property Tax	285,238	28,005	21,857	39,616	0	0	13,934	388,650		
Other Deferred Revenues	89,500	458,134	150,861	18,340	0	0	0	716,835		
<b>Total Liabilities</b>	<b>\$ 7,347,530</b>	<b>\$ 1,208,940</b>	<b>\$ 701,016</b>	<b>\$ 992,465</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 404,574</b>	<b>\$ 10,654,525</b>		

(Continued)

\_\_\_\_\_ County, Tennessee  
Balance Sheet  
Governmental Funds (Cont.)

	Major Funds								Nonmajor Funds			Total
	Ambulance Service				Highway/ Public Works		General Debt Service		Education Capital Projects		Other Governmental Funds	
	General											
LIABILITIES AND FUND BALANCES (CONT.)												
Fund Balances												
Restricted												
Restricted for General Government	\$ 197,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,872
Restricted for Administration of Justice	242,497	0	0	0	0	0	0	0	0	0	19,383	261,880
Restricted for Public Safety	14,670	0	0	0	0	0	0	0	0	0	194,419	209,089
Restricted for Public Health and Safety	0	226,041	0	0	0	0	0	0	0	0	216,477	442,518
Restricted for Other Operations	8,083	0	0	0	0	0	0	0	0	0	83,514	91,597
Restricted for Highways/Public Works	0	0	911,308	0	0	0	0	0	0	0	0	911,308
Restricted for Debt Service	0	0	0	7,123,937	0	0	0	0	0	0	0	7,123,937
Restricted for Capital Projects	0	0	0	0	0	2,202,130	8,211,055	0	0	0	0	10,413,185
Committed:												
Committed for General Government	209,162	0	0	0	0	0	0	0	0	0	10340	219,502
Committed for Finance	0	0	0	0	0	0	0	0	0	0	60807	60,807
Committed for Administration of Justice	0	0	0	0	0	0	0	0	0	0	59881	59,881
Committed for Public Safety	56,205	0	0	0	0	0	0	0	0	0	0	56,205
Committed for Public Health and Safety	0	715,796	0	0	0	0	0	0	0	0	439515	1,155,311
Committed for Debt Service	0	0	0	3,735,778	-	0	0	0	0	0	0	3,735,778
Assigned:												
Assigned for General Government	300	0	0	0	0	0	0	0	0	0	0	300
Assigned for Highways/Public Works	0	0	475,486	0	0	0	0	0	0	0	0	475,486
Unassigned	1,741,954	0	0	0	0	0	0	0	0	0	0	1,741,954
Total Fund Balances	\$ 2,470,743	\$ 941,837	\$ 1,386,794	\$ 10,859,715	\$ 2,202,130	\$ 8,211,055	\$ 1,084,336	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,156,610
Total Liabilities and Fund Balances												
	\$ 9,818,273	\$ 2,150,777	\$ 2,087,810	\$ 11,852,180	\$ 2,202,130	\$ 8,211,055	\$ 1,488,910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,811,135

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

## 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.

## Reserve Equity Accounts

Reference Number: CTAS-2100

**EQUITY**

34000 Fund Balances ----- Control Account

34100 Encumbrances ----- Description Account

### COUNTY UNIFORM CHART OF ACCOUNTS

Revised – Jul-10

Acct No. Description

34110 Encumbrances - Current Year

34120 Encumbrances - Prior Year

(These are non-reporting accounts – for internal purposes only)

34200 Nonexpendable ----- Description Account

34210 Endowments

34220 Inventory

34230 Long-term Notes Receivable

34240 Prepaid Expenses

34500 Restricted ----- Description Account

34510 Restricted for General Government

34515 Restricted for Finance

34520 Restricted for Administration of Justice

34525 Restricted for Public Safety

34530 Restricted for Public Health and Welfare

34535 Restricted for Social, Cultural, and Recreational Services

34540 Restricted for Agriculture and Natural Resources  
 34545 Restricted for Other Operations  
 34550 Restricted for Highways/Public Works  
 34555 Restricted for Education  
 34560 Restricted for Instruction  
 34565 Restricted for Support Services  
 34570 Restricted for Operation of Non-Instructional Services  
 34575 Restricted for Capital Outlay  
 34580 Restricted for Debt Service  
 34585 Restricted for Capital Projects  
 34590 Restricted for Other Purposes  
 34600 Committed ----- Description Account  
 34610 Committed for General Government  
 34615 Committed for Finance  
 34620 Committed for Administration of Justice  
 34625 Committed for Public Safety  
 34630 Committed for Public Health and Welfare  
 34635 Committed for Social, Cultural, and Recreational Services  
 34640 Committed for Agriculture and Natural Resources  
 34645 Committed for Other Operations  
 34650 Committed for Highways/Public Works  
 34655 Committed for Education  
 34660 Committed for Instruction  
 34665 Committed for Support Services  
 34670 Committed for Operation of Non-Instructional Services  
 34675 Committed for Capital Outlay  
 34680 Committed for Debt Service  
 34685 Committed for Capital Projects  
 34690 Committed for Other Purposes  
 34700 Assigned ----- Description Account  
 34710 Assigned for General Government  
 34715 Assigned for Finance  
 34720 Assigned for Administration of Justice  
 34725 Assigned for Public Safety  
 34730 Assigned for Public Health and Welfare  
 34735 Assigned for Social, Cultural, and Recreational Services  
 34740 Assigned for Agriculture and Natural Resources  
 34745 Assigned for Other Operations  
 34750 Assigned for Highways/Public Works  
 34755 Assigned for Education  
 34760 Assigned for Instruction  
 34765 Assigned for Support Services  
 34770 Assigned for Operation of Non-Instructional Services  
 34775 Assigned for Capital Outlay

34780 Assigned for Debt Service  
 34785 Assigned for Capital Projects  
 34790 Assigned for Other Purposes  
 39000 Unassigned  
 39100 Net Assets ----- Control Account  
 39110 Invested in Capital Assets, Net of Related Debt  
 39111 Invested in Capital Assets  
 39120 Net Assets – Restricted ----- Description Account  
 39121 Restricted for Purpose No. 1  
 39122 Restricted for Purpose No. 2  
 39123 Restricted for Purpose No. 3  
 39124 Restricted for Purpose No. 4  
 39125 Restricted for Purpose No. 5  
 39126 Restricted for Purpose No. 6  
 39127 Restricted for Purpose No. 7  
 39128 Restricted for Purpose No. 8  
 39129 Restricted for Purpose No. 9  
 39130 Restricted for Purpose No. 10  
 39131 Restricted for Purpose No. 11  
 39132 Restricted for Purpose No. 12  
 39133 Restricted for Purpose No. 13  
 39134 Restricted for Purpose No. 14  
 39135 Restricted for Purpose No. 15  
 39900 Net Assets - Unrestricted

## Fund Balance Formula

Reference Number: CTAS-2101

Unassigned Fund Balance (from audit)	+	524,300	(A)
Estimated Current Budget Revenue	+	5,000,000	(B)
Adjustments to Revenue (additional revenue)	+ or -	125,000	(C)
Total Estimated Available Funds	=	5,649,300	(A+B+C=D)
Appropriation (Expenditure Budget)	-	5,100,000	(E)
Adjustment to Expenditures (approp not spent)	+ or -	(225,000)	(F)
Estimated Current Year Ending Fund Balance	=	774,300	(D-E-F=G)

## Sample Budget Resolution

Reference Number: CTAS-2103

A **RESOLUTION** Amending the Ambulance Service Fund 118 in order to more accurately reflect Revenues and Expenditures.

WHEREAS, the Typical County Commission voted to operate the Ambulance Service for the citizens of Typical County, and

WHEREAS, the Typical County Commission adopted a 2011-2012 Budget for the Ambulance Service

Fund, and

WHEREAS, the proposed Budget included a six month contract with an outside vendor and anticipated the county government operating for six month, and

WHEREAS, the county shall be operating the Ambulance Service for approximately 11 months, and

WHEREAS, being that it will be Typical County's first year in operating a County Ambulance Service it was anticipated that the budget would be reviewed and amended throughout the fiscal year, and

WHEREAS, it is recommended that the Ambulance Service Fund 118 be hereby amended to reflect more accurately the anticipated revenues and expenditure from their operations.

SECTION 1. NOW THEREFORE BE IT RESOLVED, that the Ambulance Service Fund 118 is amended as follows:

[SEE EXHIBIT V SPREADSHEET]

SECTION 2. BE IT FURTHER RESOLVED, that all Resolutions of the County Commission of Typical County, Tennessee, which are in conflict with this Resolution, are hereby repealed.

SECTION 3. BE IT FURTHER RESOLVED, that this Resolution takes effect from and after this passage, the public welfare requiring it. This Resolution shall be spread upon the minutes of the County Commission. Passed this the \_\_\_\_\_ day of \_\_\_\_\_, 2011.

## Sample Budget Amendment

Reference Number: CTAS-2104

### Budget Amendments: Fund 118 Ambulance Service

		Typical County		
		2010 Approved Budget	1/20/2011 Amendments	Amended Budget
<b>40000 Local Taxes</b>				
40110	Current Property Taxes	188,000		188,000
40120	Trustee's Pr Yr	0		0
40130	Clerk and Master's Pr Yr	0		0
40140	Interest and Penalty	0		0
40161	TVA In Lieu of Tax	0		0
40162	Local Utilities In Lieu of Tax	0		0
<b>Total Local Revenue</b>		<b>188,000</b>	<b>0</b>	<b>188,000</b>
<b>43000 Charges for Services</b>				
43120	Ambulance Charges	648,000	(100,000)	548,000
	INSUR	0		0
	MCAID	0		0
	MCARE	0		0
	PRIV	0		0
	Total Charges for Services	648,000	(100,000)	548,000
<b>Total Revenue</b>		<b>836,000</b>	<b>(100,000)</b>	<b>736,000</b>
<b>49000 Other Sources</b>				
49100	Bond Proceeds	0		0
49200	Notes Proceeds	301,200	(10,000)	291,200
49900	Residual Equility Transfer	200,000		200,000
	Total Other Sources	501,200	(10,000)	491,200
<b>Total Revenue &amp; Other Sources</b>		<b>1,337,200</b>	<b>(110,000)</b>	<b>1,227,200</b>
<b>FUND BALANCE</b>				
35110	Designated for Purpose 1	0		0
39000	Beginning Fund Balance	0		0

**TOTAL AVAILABLE FUNDS** **1,337,200** **(110,000)** **1,227,200**

**Budget Amendments: Fund 118 Ambulance Service**  
**Typical County**

<b>EXPENDITURES</b>		<b>2010 Approved Budget</b>	<b>1/20/2011 Amendments</b>	<b>Amended Budget</b>
<b>55130</b>				
<b>Ambulance</b>				
105	Supervisor/Director	42,000		42,000
162	Clerical Personnel	21,000		21,000
164	Attendants (EMT, PM)	535,000	(31,000)	504,000
169	Part-Time Personnel	0		0
187	Overtime Pay	0		0
196	In-service Training	3,400		3,400
201	0.0765 Social Security	45,747		45,747
204	0.0273 State Retirement	16,325	(6,000)	10,325
207	Employee Insurance	54,000		54,000
210	0.014 Unemployment compensation	8,372		8,372
307	Communication	10,700		10,700
308	Contracts w/Quality Care	94,000	(74,000)	20,000
320	Dues and Memberships	200		200
332	Legal Notices, Court Cost	3,000		3,000
333	Licenses	2,000	300	2,300
334	Maintenance Agreements	0		0
335	Maint/Repair/Building	0	10,000	10,000
336	Maint/Repair/Equipments	0		0
338	Maint/Repair/Vehicles	10,000		10,000
340	Medical & Dental Services	1,000		1,000
348	Postal Charges	1,000		1,000
355	Travel	500	500	1,000
359	Disposal Fees	1,000		1,000
399	Contracted Services	0	6,000	6,000
410	Custodial Supplies	3,600		3,600
411	Data Processing Supplies	3,000		3,000
412	Diesel Fuel	30,000	(12,000)	18,000
413	Drugs & Medical Supplies	28,000	14,000	42,000
415	Electricity	7,500		7,500
434	Natural Gas	2,800		2,800
435	Office Supplies	0	1,000	1,000
450	Tire and Tubes	5,400		5,400

**Budget Amendments: Fund 118 Ambulance Service**  
**Typical County**

<b>EXPENDITURES</b>		<b>2010 Approved Budget</b>	<b>1/20/2011 Amendments</b>	<b>Amended Budget</b>
451	Uniforms	7,000		7,000
454	Water and Sewer	700	1,000	1,700
499	Other Supplies (linens)	8,000		8,000
502	Building and Contents Insurance	3,500		3,500
506	Liability Insurance	3,500	2,700	6,200
510	0.01 Trustee's Compensation	13,372		113,372
511	Vehicles & Equipment Insurance	9,000	1,700	10,700



513	0.065 Workers' Comp. Insurance	38,870	(2,000)	36,870
707	Building Improvements	0		0
708	Communication Equipment	10,000		10,000
709	Data Processing Equipment	15,000	1,700	16,700
711	Furniture & Fixtures	1,200	2,500	3,700
718	Motor Vehicles	255,000	(71,000)	184,000
735	Health Equipment	20,000	52,600	72,600
790	Other Equipment	0		0
	Total Ambulance Service	1,314,686	(102,000)	1,212,686
99100	590 Operating Transfers (to pay Principal and Interest)	0		0
	Total Transfers	0		0
	TOTAL EXPENDITURES & TRANSFERS	1,314,686	(102,000)	1,212,686
	TOTAL REVENUE w/o Other Sources	836,000	(100,000)	736,000
	TOTAL EXPENDITURES AND TRANSFERS	1,314,686	(102,000)	1,212,686
	Less 700 account # (Capital Items)	301,200		287,000
	Net Expenditure less (Capital Items)	1,013,486		925,686
	Net Profit or (Loss)- Net Revenue-Net Expenditures	(177,486)		(189,686)
	BEGINNING OF YEAR BALANCE	0		0
	ESTIMATED END OF YEAR BALANCE	22,514	(8,000)	14,514

## BEP Funding Allocation Example

Reference Number: CTAS-2105

Volunteer County  
Basic Education Program Allocation  
2010-2011  
June Estimate

Instructional Funding		
Total Full Funding - Instructional		\$34,060,000
Less: Required Local Matching Funds 30.98%		10,552,000
State Share of Instructional Funding 69.02% (1)		\$23,511,000
Classroom Funding		
Total Full Funding - Classroom		\$8,954,000
Less: Required Local Matching Funds 26.81%		2,401,000
State Share of Classroom Funding 73.19% (2)		\$6,553,000
Non-Classroom Funding		
Total Full Funding - Non-Classroom		\$17,311,000
Less: Required Local Matching Funds 54.50%		9,434,000
State Share of Non-Classroom Funding 45.50% (3)		\$7,877,000
Total State BEP Funding Allocation (1+2+3)		\$37,941,000
Total Required Local Matching Funds		22,387,000
Total BEP Funding – State and Local		\$60,328,000

### Additional Information

Student Counts (Weighted average of months 2, 3, 6, 7)

Total ADMs	10,429
Career and Technical ADMs Served	311
Special Education ADMs Identified and Served	2,149
Basic Education Program Instructional Salary	\$38,000

### Fiscal Capacity Indices

TACIR Index	1.13%
CBER/Fox Index	1.13%
TACIR 50% & CBER 50%	1.13%

## State of Tennessee BEP 2.0 Brochure

Reference Number: CTAS-2106

### TENNESSEE BASIC EDUCATION PROGRAM BEP 2.0 2010-11



State Board of Education  
9th Floor, Andrew Johnson Tower  
710 James Robertson Parkway  
Nashville, TN 37243-1050  
October, 2010

This booklet lists the Basic Education Program (BEP) components and the cost specifications for each component. The components include both operating and capital outlay costs.

The BEP components serve as the basis for calculating the level of funding for each school system. These components represent the level of support necessary for our schools to succeed. The components serve as the basis for calculating the level of BEP funding for each school system; the BEP does not prescribe specific levels of expenditures for individual components. Actual costs of the essential components are monitored and updated from year to year. Total costs are calculated by applying cost specifications to schools census data.

Equity adjustments (cost of operations adjustment and fiscal capacity adjustment) equalize responsibility among the local school systems based on variations in the cost of delivering services to students and in relative fiscal capacity.

#### STATE BOARD OF EDUCATION

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Dr. Gary L. Nixon, Executive Director

**SALARIES USED IN BEP CALCULATIONS****Teachers and Other Licensed Personnel**

The BEP allocation for salaries for each school system is based on:

- The number of each type of position generated by the cost components
- The current salary unit cost for instructional personnel = 38,000
- Average annual superintendent salary = \$91,600 per county

**Other Personnel**

- Average annual library/instructional assistant salary = \$19,000
- Average annual custodian salary = \$20,500
- Average annual school secretary salary = \$26,800
- Average annual system secretary salary = \$34,300

**FOOTNOTES**

\* If a system within a county having more than one system does not have enough pupils to qualify for a position, the relevant county totals are used and each system receives a pro rata share based on its proportion of total relevant enrollment. If county totals are not sufficient to generate a position, the county is allocated one position and each system is allocated a pro rata share of the position based on its proportion of the relevant enrollment.

\*\*Elementary schools < 100 are not allocated a principal.

\*\*\*One superintendent is allocated for each county. If there is more than one school system in a county, each system receives a pro rata share based on its proportion of total county ADM.

\*\*\*\*For purposes of calculating benefits and insurance: for maintenance add 60% of sq. ft. cost to salary allocation; for pupil transportation add 45% of amount to salary allocation. Apply calculated rate (ins, FICA, TCRS) for classified personnel as specified to 50% or 45% of allocation, respectively.

**INSTRUCTIONAL COMPONENTS (STATE SHARE = 70%)**

<b>COMPONENT</b>	<b>FUNDING LEVEL</b>
	.5 per school < 225**
PRINCIPALS	1 per school > 225
	.5 per school 660-879
ASSISTANT PRINCIPALS	1 per school 880-1,099
ELEMENTARY	1.5 per school 1,100-1,319
	2 per school > 1,320
	.5 per school 300-649
ASSISTANT PRINCIPALS	1 per school 650-999
SECONDARY	1.5 per school 1,000-1,249
	2 per school > 1,250 (+ 1 per add'l 250)
	1 per < 500 total ADM
SYSTEM-WIDE	2 per 500-999 total ADM
INSTRUCTIONAL	3 per 1,000-1,999 total ADM
SUPERVISORS	3 per > 2,000 total ADM (+ 1 per add'l 1,000)
SPECIAL EDUCATION	
SUPERVISORS	1 per 750 special education I & S
VOCATIONAL EDUCATION	
SUPERVISORS	1 per 1,000 vocational education FTEADM
SPECIAL EDUCATION	
ASSESSMENT PERSONNEL	1 per 600 special education I & S
SOCIAL WORKERS	1 per 2,000 total ADM*
PSYCHOLOGISTS	1 per 2,500 total ADM*

SPECIAL EDUCATION EARLY INTERVENTION Early intervention services for 3-year-old children with disabilities. Now allocated through count of special education I & S

STAFF BENEFITS AND INSURANCE \$4,665.26 per BEP position for insurance; plus 7.65% of BEP salary for FICA. Add 9.05% of BEP salary per licensed position OR 10.52% of BEP salary per classified position for TCRS

### **CLASSROOM COMPONENTS (STATE SHARE = 75%)**

<b>COMPONENT</b>	<b>FUNDING LEVEL</b>
K-12 AT-RISK CLASS SIZE REDUCTION	Based on 1:15 class size reduction for grades K-12, estimated at \$509.46 per identified at-risk ADM. Funded at 100% at-risk.
DUTY-FREE LUNCH	\$10.25 per total ADM
TEXTBOOKS	\$76.75 per total ADM
CLASSROOM MATERIALS & SUPPLIES (includes fee waiver)	\$ 72.00 per regular ADM \$157.75 per vocational education FTEADM \$ 35.50 per special education I & S \$ 35.75 per Academic exit exam (12th grade) \$ 11.25 per Technical exit exam (1/4 voc ed)
INSTRUCTIONAL EQUIPMENT	\$64.25 per regular ADM \$99.75 per vocational education FTEADM \$13.25 per special education I & S
CLASSROOM RELATED TRAVEL	\$10.75 per regular ADM \$21.50 per vocational education FTEADM \$15.25 per special education I & S
VOCATIONAL CENTER TRANSPORTATION	For participating systems to transport students to vocational center attended part of the day
TECHNOLOGY	\$TBD per total ADM (Approx. \$21.08) \$20 M distributed on ADM basis
NURSES	1 per 3,000 total ADM (min. + 1 per system)
INSTRUCTIONAL ASSISTANTS	1 per 75 ADM K-6
SPECIAL EDUCATION ASSISTANTS	1 per 60 special education I & S in Options 5,7,8
SUBSTITUTE TEACHERS	\$56.00 per total ADM

ALTERNATIVE SCHOOLS \$ 3.30 per total ADM K-12 plus \$28.25 per ADM 7-12 (including voc ed)

### NON-CLASSROOM COMPONENTS (STATE SHARE = 50%)

COMPONENT	FUNDING LEVEL
SUPERINTENDENT	1 per county***
SYSTEM SECRETARIAL SUPPORT	1 per system < 500 2 per system 500-1,250 3 per system 1,251-1,999
TECHNOLOGY COORDINATORS	1 per system with one additional for each 6,400 ADM
SCHOOL SECRETARIES	.5 per school < 225 1 per school 225-374 1 per 375 per school > 375
MAINTENANCE & OPERATIONS	100 square feet per total K-4 ADM 110 square feet per total 5-8 ADM 130 square feet per total 9-12 ADM Total sq ft x \$3.00/sq ft**** 1 custodian per 22,376 calculated sq ft
NON- INSTRUCTIONAL EQUIPMENT	\$18.75 per total ADM
PUPIL TRANSPORTATION	Allocated to systems that provide transportation. Formula established by Commissioner of Education. Based on number of pupils transported, miles transported, and density of pupils per route mile
STAFF BENEFITS AND INSURANCE	\$4,354.24 per classified BEP position for insurance; plus 7.65% of BEP salary for FICA. Add 9.05% of BEP salary per Superintendent and technology coordinator OR 10.52% of BEP salary per classified position for TCRS
CAPITAL OUTLAY	100 sq ft per total K-4 ADM x \$121/sq ft 110 sq ft per total 5-8 ADM x \$125/sq ft 130 sq ft per total 9-12 ADM x \$123/sq ft Add equipment (10% of sq ft cost) Add architect's fee (5% of sq ft cost) Add debt service (20 yrs @ 6.00%) Divide total by 40 yrs = annual amount

### INSTRUCTIONAL COMPONENTS (STATE SHARE = 70%)

COMPONENT	FUNDING LEVEL
	1 per 20 ADM K-3
REGULAR EDUCATION	1 per 25 ADM 4-6
	1 per 25 ADM 7-9
	1 per 22.08 ADM 10-12
VOCATIONAL EDUCATION	1 per 16.67 vocational education FTEADM (Caseload Allocations)
SPECIAL EDUCATION (number of students identified and served = I & S)	Option 1            91            Option 6            2 Option 2            73            Option 7            10 Option 3            46            Option 8            6 Option 4            25            Option 9            0 Option 5            15            Option 10            10
ELEMENTARY GUIDANCE	1 per 500 ADM K-6*
SECONDARY GUIDANCE	1 per 350 ADM 7-12 (including voc ed)*
ELEMENTARY ART	1 per 525 ADM K-6
ELEMENTARY MUSIC	1 per 525 ADM K-6
ELEMENTARY PHYSICAL EDUCATION	1 per 350 ADM K-4
	1 per 265 ADM 5-6
	.5 per school < 265
ELEMENTARY LIBRARIANS (K-8)	1 per school 265-439
	1 per school 440-659 (+.5 assistant)
	1 per school > 660 (+1 assistant)
	.5 per school < 300
SECONDARY LIBRARIANS (9-12)	1 per school 300-999
	2 per school 1,000-1,499

ELL INSTRUCTORS  
ELL TRANSLATORS

2 per school > 1,500 (+1 per add'l 750)  
1 per 30 ELL Students I&S  
1 per 300 ELL Students I&S

## Tennessee Tax Freeze Jurisdictions

Reference Number: CTAS-2107

### Tennessee Tax Freeze Jurisdictions

as of October 31, 2011

The following counties and cities in Tennessee have adopted the local option Property Tax Freeze program. In order to qualify, an applicant's principal residence must be located within one of these jurisdictions.

<b><u>County</u></b>	<b><u>Year Adopted</u></b>	<b><u>City</u></b>	<b><u>Year Adopted</u></b>
Anderson	2007	Bartlett	2008
Bledsoe	2011	Clarksville	2008
Blount	2007	Clinton	2008
Bradley	2007	Collierville	2008
Campbell	2008	Dyersburg	2008
Coffee	2008	Fairview	2008
Davidson	2007	Gallatin	2008
Franklin	2008	Goodlettsville	2008
Hamblen	2007	Gordonsville	2008
Hancock	2010	Greenbrier	2008
Hickman	2008	Hendersonville	2008
Knox	2007	Jackson	2009
Montgomery	2008	Manchester	2007
Roane	2007	Memphis	2008
Robertson	2008	Millington	2008
Rutherford	2008	Oak Ridge	2010
Sevier	2008	Piperton	2008
Shelby	2008	Portland	2008
Smith	2008	Smyrna	2009
Sumner	2008	South Carthage	2008
Williamson	2008	Spring Hill	2009
Wilson	2007	Springfield	2008
		Tullahoma	2009
22 Counties Total		Westmoreland	2008
		White House	2011
		25 Cities Total	

*Source: State of Tennessee, Comptroller of the Treasury, Division of Property Assessments*

## Tax Freeze Calculation Worksheet

Reference Number: CTAS-2108

**\_\_\_\_\_ County**  
**Tax Freeze Calculation Worksheet**  
**For Tax Aggregate Freeze Totals 20XX**

Count		Total Assessment	Base Frozen Assessment	Non-Frozen Assessment	Tax Rate	Base Tax (Frozen)	Non-Frozen Tax	Total Tax Freeze Tax	Calculated Tax	Total Actual Tax
439	Cities	\$ 8,648,364	\$ 8,613,825	\$ 33,150	\$ 2.02	\$ 174,238	\$ 750	\$ 174,988	\$ 175,007	\$ 174,986
413	SSD 261	\$ 9,015,583	\$ 8,032,048	\$ 872,258	\$ 2.48	\$ 199,011	\$ 21,631	\$ 220,642	\$ 223,400	\$ 220,640
241	SSD 810	\$ 6,103,710	\$ 4,912,594	\$ 1,187,366	\$ 2.41	\$ 118,402	\$ 28,616	\$ 147,018	\$ 147,106	\$ 146,909
1,093	Totals	\$ 23,767,657	\$ 21,558,457	\$ 2,092,774		\$ 491,651	\$ 50,997	\$ 542,648	\$ 545,513	\$ 542,535

## 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.

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**Source URL:** <https://www.ctas.tennessee.edu/eli/operating-budgets>