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# Budget Management

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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.

Sincerely,

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## 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.

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