




JASON E. MUMPOWER
Comptroller

ANNUAL BUDGET MEMO

To: Budget Contact
From: Betsy Knotts, Director 
Division of Local Government Finance
Date: January 25, 2021
Subject: Fiscal Year 2022 Annual Budget Memo for Tennessee Municipalities

Thank you for partnering with us as we work together to promote fiscal responsibility in Tennessee's local governments. Timely budget adoption is foundational to the budget process and ensures your municipality begins the fiscal year with a sound financial spending plan.

Last year our office recognized 80 of Tennessee's 342 municipalities for, among other criteria, adopting a balanced budget on or before June 30 and submitting the budget to LGF@cot.tn.gov within 15 days of adoption tncot.cc/budgetcertificates. We look forward to even more municipalities joining that number for fiscal year 2022.

We want the budget adoption and submission process to be as simple and seamless as it can be. In an effort to support you, we have compiled instructional videos at the following link: tncot.cc/budget. Additionally, we are asking for your feedback. We really appreciate your time and participation in our survey which can be found at tncot.cc/budget.

Please also note, pursuant to Public Acts 2020, Chapter 572, municipalities with water and sewer utility systems are required to fill out an annual information statement before the beginning of your fiscal year. Please visit tncot.cc/utilityinfo to fulfill this requirement.

Required Documents for Budget Submission:

Prior to the beginning of each fiscal year, all municipalities in Tennessee must adopt a budget ordinance and email it, with other required documents as described below, to LGF@cot.tn.gov within 15 days following adoption.

- Cover letter on the municipality's letterhead (contact information included);
- Signed/certified copy of the appropriation ordinance (and tax levy ordinance, if separate);
- Detailed budgets for all funds including enterprise funds and school funds, as applicable;
 - Include estimated beginning fund balances and cash balances for each fund at July 1, 2021, and ending balances at June 30, 2022.
- Budget Summary Schedule;
- Cash Flow Forecast Schedules for:

- Operating funds with a budgeted ending cash balance less than 10% of annual expenditures *or* an ending cash balance in the prior year audit less than 10% of annual expenditures;
- Any fund that received proceeds from TRANS for the past two consecutive years; and
- All operating funds if the prior year audit has not been issued/is late.
- Schedule of Outstanding Debt and Budgeted Debt Service, as applicable; and
- Revenue forecasts for property and sales tax in fiscal year 2022, when applicable.

Further information concerning budgeting requirements, a budget submission checklist, and excel schedules may be found on our website at: tncot.cc/budget.

Please send the complete package to: LGF@cot.tn.gov.

If you need any assistance with your submission, you may contact your analyst. For hands-on assistance in preparing and adopting your budget, please contact the Municipal Technical Advisory Service (MTAS) or the State Department of Education - Section of Local Finance.

NOTE: Please do not include debt approval requests with your budget submission.

Enclosures: Budget Preparation Guidance
Contact Information



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Budget Preparation Guidance

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This guidance is provided to expedite the budget review process and aid in the preparation of the budget ordinance and supporting documents that are required for submission to the Division of Local Government Finance.

1. Adoption of Budget Ordinance

The annual budget ordinance must be adopted by June 30th unless the government is operating under a legal continuation budget. We recommend a continuation budget only be used in extenuating circumstances.

2. Model Budget Ordinance

Municipalities should use the sample budget ordinance on our website located at: tncot.cc/budget.

3. Appropriation Level

Expenditures must be appropriated by fund at the organizational unit (department) level.

4. Proper Classification

Revenues should be classified by source and expenditures should be classified by account code and description. The following are common incorrect uses of terminology that are not acceptable in the ordinance or detailed budget submitted or filed with LGF:

- a. "Use of fund balance" is not a revenue source. For example, if your projected expenditures are greater than your projected revenues, show the negative change in fund balance.
- b. The following items should not be budgeted as an expenditure item:
 - i. Negative expenditures
 - ii. Reserves
 - iii. Budgeted Increase in Fund Balance

5. Ordinance and Detailed Budget Agreement

Amounts in the detailed budget should be represented correctly in the appropriations ordinance.

6. Debt Service

Principal and interest payments for each debt issue need to be budgeted as separate line items, with the name of the debt clearly identified, such as 2015 Capital Outlay Notes. Budgeted debt service payments should agree with repayment schedules.

7. Fiscal Year Comparative Data

The budget ordinance and the detail (line item) budgets should be presented with three years of information:

- a. Column 1 – Fiscal Year 2020 (Actual Amounts)
- b. Column 2 – Fiscal Year 2021 (Estimated Amounts)
- c. Column 3 – Fiscal Year 2022 (Estimated Beginning Balance, Projected Receipts, Budgeted Appropriations, Estimated Ending Balance)
- d. Beginning and ending fund balance for each fund.

8. Revenue Forecasts

All major revenue sources should be forecasted for the budget year. Forecasted amounts should be consistent with budget amounts.

9. Cash Flow Forecasts

Cash flow forecasts provide for the timing of cash inflows and outflows within a fund. To prepare a 12-month cash flow schedule:

- a. Collect prior year cash receipts and cash payments data by month for each fund.
- b. Remove non-recurring items, such as grant receipts and major capital expenditures.
- c. Divide receipts for each individual month by total receipts for the prior fiscal year to determine the estimated percentage of receipts by individual month. Some months may have a significantly higher percentage of receipts due to the tax collection cycle.
- d. Apply the percentage for each month to the annual budgeted receipts to determine the estimated cash flows for each month of the budget year, then add the non-recurring items to the monthly totals.
- e. Follow the same procedures outlined in items c. and d. for cash payments.