
TITLE 4

INFORMATION AND COMMUNICATION

CHAPTER 1

GENERAL

The Comptroller's office, in accordance with *Tennessee Code Annotated*, Section 9-2-102, is required "...to prescribe a uniform system of bookkeeping designating the character of books, reports, receipts, and records, and the method of keeping same, in all state, county, and municipal offices, including utility districts, which handle public funds." In addition, certain external reporting is mandated by *Tennessee Code Annotated*. However, other information needs, both internal and external, may be required to operate the municipality effectively and efficiently. Management should review all information needs and should determine the appropriate means of communicating to employees what reports (including detailed content requirements) are needed, when the reports should be prepared and to whom they should be submitted. The accounting structure should be reviewed to determine that information is being collected and summarized to provide the required reports. Any system modifications required to prepare those reports should be communicated, evaluated, and implemented in accordance with the municipality's policies and procedures and the control activities identified in this manual.

Accurate, timely and effective communication is essential to any organization. It is also one of the most difficult needs to meet. Even in the smallest organization, there are frequent communication break-downs. In municipalities, the built-in political process ensures regular and on-going changes in management. Each administration will have its own agenda and focus. Changes in objectives and the related information needs, responsibilities and control requirements will have to be communicated throughout the municipality. The most effective means of communication will be unique to each municipality. However, policies and procedures manuals, training, employee orientation meetings, memos, and staff meetings are some of the tools that can be used in developing adequate communication. Finding the appropriate means of communicating within the municipality should be a high priority task, since it will affect all areas of the municipality. Throughout this manual, various reports, manuals, and other requirements are presented which may facilitate the communication needs of the municipality.

The remainder of this Title identifies the basic information requirements of the Comptroller's office. Other internal and external reporting needs of the municipality should be identified and responsibilities and related control procedures should be communicated to all personnel involved.

across the board wage increases; and, (3) the amount of funds allocated to departments to be allocated to employees by the department heads or other designated individual(s). Adequate policies governing authorization of pay increases should be developed and maintained by the municipality. Wage and salary rates increases delegated by the board should be adequately documented in the personnel records.)

- d. copies of bond and revenue anticipation resolutions
- e. authorizations of loans and transfers between funds
- f. notices of public hearings and resulting decisions
- g. copies of federal and state grant applications (whether a final award was received or not)
- h. summaries of action taken on competitive bids
- i. copies of contracts entered into by officials. Municipal officials must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:
 - (1) contract labor and consultant agreements, including computer services, day labor, and similar work
 - (2) leases
 - (3) rentals
 - (4) management agreements
 - (5) mutual aid agreements
 - (6) cable or other franchise agreements
- j. purchasing policy
- k. expense reimbursement policy

statements or schedules of the major and nonmajor funds or, as additional supplemental schedules. Excessively detailed object classifications for expenditures should be avoided.

3. Supplemental Information:

- a. Combining statements for nonmajor governmental and proprietary funds.
- b. Combining statements for internal service funds.
- c. Combining statements for fiduciary funds (trust funds and agency funds).
- d. Individual budgetary schedules for all governmental funds with annual appropriated budgets that were not included as basic financial statements. (The schedule should include three (3) columns, one for the original budgetary amounts, one for the final budgetary amounts, and one for actual expenditures. An additional column is recommended, though not required, to display variances.)
- e. Fund information for discretely presented component units that do not issue a separate audit report.
- f. Schedules.
 - (1) A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. In addition, the composition of the schedule should conform to the example in Appendix B, which exceeds OMB requirements.)

For additional guidelines governing reporting on separate audits of departments, divisions or funds, please refer to the Topical Index on the Division of Municipal Audit's web site

<http://tn.gov/comptroller/ma/reference.htm>

- (2) The following schedules are required, if applicable, whether the municipality issues a CAFR or not (except as otherwise noted). Certain schedules may exceed GASB's minimum requirements; however, the information provided is used by other state departments.
 - (a) Schedule of Transfers (may be omitted if transfer disclosure in the notes to the financial statements is adequate, i.e., transfers disclosed by individual fund for all major and nonmajor funds).

- (b) Schedule(s) of Long-Term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt – by individual issue) by Fiscal Year – All Funds. Schedules should also be included for interfund and intrafund (i.e., between divisions within a utility fund) receivables and payables related to telecommunications, cable, etc.
 - (c) Uncollected Delinquent Taxes Filed in accordance with applicable laws
 - (d) Utility Rate Structure and Number of Customers
 - (e) Unaccounted for Water (See Example Schedule in [Appendix B](#)). This schedule must be used in the **exact** format presented in [Appendix B](#).
 - (f) Schedule of Changes in Property Taxes Receivable – By Levy Year (which should tie to the financial statements and may be omitted if a CAFR is issued) (See Example Schedule in Appendix B).
 - (g) Property Tax Rates and Assessments – Last 10 Years
 - (h) Additional schedule(s), if necessary, of taxes and intergovernmental revenue by specific source and expenditures by object.
- (3) If a municipality provides several utility services (e.g. gas, electric, water/sewer combined or separately depending on the policies of the municipality, bond covenants, etc.) and accounts for all of those activities in a single fund, detailed schedules that provide information consistent with what would have been presented in fund financial statements should be included in supplemental information for each division/department (ie, assets, liabilities and net assets; revenues, expenses, and changes in net assets; and cash flows). If sufficiently detailed information is included in the notes to the financial statements, these additional schedules are not required. This information is necessary to demonstrate compliance with state laws regarding utility operations.
- (4) If a municipality is providing cable, internet, and/or related services, additional schedules must be included that provide sufficient detail to demonstrate compliance with *Tennessee Code Annotated 7-52-601 et al.* unless sufficient detail is presented in the basic financial statements.

- (5) If a municipality is providing telecommunications services, additional schedules must be included that provide sufficient detail to demonstrate compliance with *Tennessee Code Annotated* 7-52-401 et al. unless sufficient detail is presented in the basic financial statements.
- (6) If a municipality issues a separate financial report for the Board of Education, additional guidelines for reporting for “departmental financial statements” can be found on the Division of Municipal Audit’s web site at:

<http://www.tn.gov/comptroller/ma/financialreporting.htm>

Current Developments Affecting Reporting:

GASB 54

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, has created a conflict between the Comptroller’s requirements, *Tennessee Code Annotated (TCA)*, and reporting in accordance with GAAP. Generally the accounting records of local governments should be maintained in such a way to reflect the reporting requirements of GAAP. That is, if the accounting records reflect a fund, that fund should be reported in the financial statements of the local government. *TCA* 68-211-874 requires activities related to solid waste to be accounted for in either a proprietary fund or a special revenue fund. The activities being accounted for in a proprietary fund are not impacted. However, activities being accounted for in special revenue funds will be affected. Solid waste activities will not meet the criteria for being reported in a special revenue fund. To bridge the gap, the accounting records will still account for solid waste activities as they have in the past. However, for financial reporting purposes, the activities will be rolled into the general fund. A supplemental schedule should be created to reflect the activities to demonstrate compliance with *TCA*.

Other special revenue funds not mandated by state law should be evaluated to determine whether they need to be closed out and the activities reported in the general fund (e.g., library activities). No supplemental schedule to demonstrate compliance would be required for those activities. The close-out of the fund would be consistent with the general requirement that the books and records be maintained in such a way to reflect the reporting requirements of GAAP.

1. Recovery Act (ARRA)

The requirements related to ARRA funding will present unique auditing and reporting challenges. The web sites for many state departments include information related to ARRA. Municipal Audit also has information on the web related to complying with the requirements related to ARRA funding. Federal, state and local web sites, and grant and loan agreements all provide information related to ARRA funding. ARRA requirements for separate accountability for Recovery Act funds

affect the presentation requirements relating to the Schedule of Expenditures of Federal Awards and State Financial Assistance and other matters.

Section 3 Object expenditure codes to be used in solid waste accounting include the following:

297	Landfill Facilities Fee
480	Landfill Materials
481	Daily Cover Material
482	Drainage Materials
483	Geotextile Materials
484	Synthetic Membrane
485	Liner Material
486	Wire or Fencing
487	Testing Supplies
488	Natural Materials
489	Other Landfill Material
560	State Fees and Charges
561	Application Fee
562	Tipping Fee (Surcharge)
563	Other Landfill Fees
564	Annual Maintenance Fee
565	Permit Fee
566	Sanitary Survey Fee
567	Plans Review Fee
568	Annual Emission Fee
569	Other State Fees and Charges
911	Site Acquisition
912	Site Development

NOTE: Refer to Title 4, page 17, for information related to the implementation of GASB 54 and the impact on Solid Waste accounting and reporting.

Section 9 The municipal electric system shall charge the same fees as it charges any other franchise holder providing the same service.

Section 10 The cable division must present sufficient detail of all financial activity in supplemental schedules or in the notes to the financial statements to demonstrate compliance with *Tennessee Code Annotated 7-52-601 et al.*

TITLE 4

INFORMATION AND COMMUNICATION

CHAPTER 9

RECORDS MANAGEMENT

Section 1 Section 10-7-702, *Tennessee Code Annotated*, provides for alternative retention for permanent records, but does not address alternative retention methods for records that will ultimately be destroyed. Care should be taken to ensure that the records can still be accessed as new technologies are installed.

Section 2 Section 10-7-702, *Tennessee Code Annotated*, provides that the Municipal Technical Advisory Service (MTAS), "...is authorized to compile and print, in cooperation with the state library and archives, records retention manuals which shall be used as guides by municipal officials in establishing retention schedules for all records created by municipal governments in the state." The following schedule is a summary of the unique retention provisions recommended by the Comptroller. These unique provisions as well as other detailed provisions are addressed in the MTAS guide issued in 2008, *Records Management for Municipal Governments: A Reference Guide for City Officials and Municipal Public Records Custodians*. This guide can be accessed at <http://www.mtas.utk.edu>.

MTAS has also issued *New Amendments to the Federal Rules of Civil Procedure and Their Effects Upon Records Retention*, that can be accessed at the same site.

Record	Retention Period	Legal Authority/Rationale
Accounts Payable.	Retain 10 years.	Requirement of the Comptroller.
Accounts Receivable.	Retain 10 years.	Requirement of the Comptroller.
Annual Reports to City Officials. Submitted by city departments, boards, or agencies.	Permanent record.	Keep for historical purposes.

Record	Retention Period	Legal Authority/Rationale
<p>Audit Reports. All audit reports relative to city finances. Audit reports show name of office, name of fund or account, account of all receipts and disbursements, date of audit, and signature of auditor.</p>	<p>Permanent record.</p>	<p>Requirement of the Comptroller. Record has high historical value.</p> <p>NOTE: T.C.A. § 6-56-104 requires the city to place a copy of the audit in the main branch of the public library.</p>
<p>Bonded Indebtedness, Record of. Register book shows bond issue, date, and amount set up by year; as bonds and coupons are returned, these are shown in the book. Other records include the trust indenture, loan agreements, bond counsel opinion, documentation of expenditure of bond proceeds, copies of management contracts and research agreements, documentation of all sources of payment or security for the bonds, and documentation of investment of bond proceeds. Other records may also include documentation specific to any single and multi-family housing bonds and small issue industrial development bonds.</p>	<p>Retain 6 years.</p>	<p>Based on procedures established in T.C.A. § 9-21-123.</p> <p>T.C.A. § 28-3-113.</p>

Record	Retention Period	Legal Authority/Rationale
<p>Canceled Checks. Canceled checks showing date check issued, name of bank on which drawn, check number, to whom payable, purpose of payment, amount of check, and date canceled. <i>See Title 5, Chapter 8, Section 9, of this manual for comments on this due to current banking laws.</i></p>	<p>Retain 7 years.</p>	<p>Based on statute of limitations for legal action for breach of contract plus one year. T.C.A. § 28-3-109.</p>
<p>Cash Journals. Record of all receipts and disbursements as distributed to various city accounts, showing date of entry, amount, source of receipt or purpose of payment, amount of debit or credit, and name of account credited or charged.</p>	<p>Permanent record.</p>	<p>Requirement of the Comptroller. Comptroller's office considers this record important for demonstrating patterns in investigations of misappropriation of funds. Prior to the advent of general budgetary practices, the <i>Recorder's Cash Journal</i> was the best record for tracking the total revenue stream of the city and has historical value. For this reason, older records should be kept permanently.</p>
<p>Daily Collection Report. Summarizes all cash/check collections by source and fund and indicates the deposit amount, amount retained for change and amount short or over.</p>	<p>Retain at least 3 years from the date the audit was filed with the Comptroller's office</p>	<p>Keep for audit, review, and investigative purposes.</p>
<p>Cash Reconciliation Report. Shows balances at beginning of month, outstanding checks, cash balances, checks issued during month, checks paid,</p>	<p>Retain at least 3 years from the date the audit was filed with the Comptroller's office</p>	<p>Keep for audit, review, and investigative purposes.</p>

Record	Retention Period	Legal Authority/Rationale
Cash Reconciliation Report (con'd). cash and outstanding checks at end of the month.		
Check Books. Books containing stubs of checks issued by the Recorder showing check number, date issued, name of payee, amount, and purpose of payment.	Retain 7 years after date of last check.	Based on statute of limitations for legal actions for breach of contract plus one year. T.C.A. § 28-3-109.
Check Stubs. From all city accounts and accounts of all its departments.	Retain 7 years.	Based on statute of limitations for legal actions for breach of contract plus one year. T.C.A. § 28-3-109.
Development and Proposal Files. Reports, planning memos, correspondence, studies, and similar records created for and used in the development of grant proposals submitted to state or federal agencies and contracts relating to the grant.	Retain all unsuccessful applications for 5 years. Retain all records regarding grants that are received for life of grant plus 7 years.	Keep unsuccessful proposals in case of appeal or for administrative use in re-application. Keep records of grants received based on statute of limitations for contract actions. T.C.A. § 28-3-109.
Financial Reports to City Legislative Body. (1) General; (2) Final—Report gives information on different accounts, balances on last report, receipts, disbursements, commissions, transfers, balances on this report, totals, bank balances of city accounts in different banks, and classification of receipts (sources received from, e.g., state, local, etc.).	Permanent record.	These reports should be recorded in the minutes of the city legislative body. Requirement of the Comptroller.

Record	Retention Period	Legal Authority/Rationale
<p>Financial Reports to City Legislative Body (con'd). Reports of street department chief administrative officer and other officials when required by law.</p>		
<p>General Ledger Accounts. Record of all receipts and disbursements for the various city accounts, showing date of entry, amount, source of receipt or purpose of payment, amount of debit or credit, and name of account credited or charged.</p>	<p>Permanent record.</p>	<p>Requirement of the Comptroller.</p>
<p>Court Case Ledgers. Records and materials regarding case funds received and distributed.</p>	<p>Permanent Record.</p>	<p>Requirement of the Comptroller.</p>
<p>Moveable, High-Risk, Sensitive Property. Inventory records of non-capitalized property items, such as cameras, computers, printers, scanners, etc.</p>	<p>Retain 5 years.</p>	<p>Keep for audit purposes and to ensure that such items are retained for use in the municipality and are not lost, misplaced or stolen.</p>
<p>Investment Ledgers. Surplus cash investments, rate of interest, date, and amount collected.</p>	<p>Retain 10 years.</p>	<p>Keep for audit purposes and to address arbitrage concerns.</p>