



JASON E. MUMPOWER
Comptroller

ANNUAL BUDGET MEMO

To: Budget Contact
From: Sheila Reed, Director *SAR*
Division of Local Government Finance
Date: January 25, 2024
Subject: Fiscal Year 2025 Annual Budget Memo for Tennessee Utility Districts,
Water and Wastewater Treatment Authorities, and Municipal
Energy Authorities

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 local government begins the fiscal year with a sound financial spending plan.

BUDGET CERTIFICATE AWARD PROGRAM

Last year our office recognized 98 of Tennessee's 171 utility districts, 6 of Tennessee's 9 water and wastewater treatment authorities, and 4 of Tennessee's 10 municipal energy authorities, for, among other criteria, adopting a balanced budget **prior to the beginning of the fiscal year** and submitting the budget to our office **within 15 days** of adoption. That represents more than 50% of all utility systems. We look forward to even more qualifying for a certificate this budget year.

Please visit our website for a complete list of recipients and the requirements to qualify for a budget certificate: tncot.cc/budgetcertificates.

BUDGET SUBMISSION

Prior to the beginning of each fiscal year, all utility systems in Tennessee must adopt a budget ordinance and email it, with other required documents, to our office **within 15 days** following adoption. For your convenience we have enclosed a budget submission checklist.

The complete package should be sent to: LGF@cot.tn.gov.

Additional information concerning budgeting requirements, including a budget manual, instructional videos, and supporting schedules may be found on our website at: tncot.cc/budget.

WHAT'S NEW FOR 2025

Better Utility Budgeting and Financial Planning –

To support local officials with their responsibility over the financial health of utility systems, we have released a new publication “Better Utility Budgeting and Financial Planning” that will be a valuable resource during budget adoption and throughout the budget year. The publication may be accessed at: tncot.cc/budget.

IMPORTANT REQUIREMENTS TO REMEMBER

Statutory Filing Date

A **complete** budget submission must be filed with our office no later than 2 months from the beginning of the budget year to receive approval. Pursuant to state law, outside of an emergency, local governments may not issue debt without an approved budget from our office (Tenn. Code Ann. §§ 7-36-113; 7-82-501; 68-221-611, and 68-221-1306).

Conditional Approvals

If you receive a budget approval that is conditioned upon action by the governing body prior to our approval, you will have **40 days** after our letter is issued to meet the condition. If the condition is not met, the budget will not be approved. Pursuant to state law, outside of an emergency, local governments may not issue debt or financing obligations without an approved budget from our office (Tenn. Code Ann. §§ 7-36-113; 7-82-501; 68-221-611, and 68-221-1306).

Water, Sewer, and Gas Utility Systems

Pursuant to Tenn. Code Ann. § 7-82-707, all utility districts, water and wastewater treatment authorities, and municipal energy authorities are required to complete an **annual information statement** before the beginning of the utility system’s fiscal year. Please visit tncot.cc/utilityinfo to fulfill this requirement.

Timely Audits

Historical audited information is necessary for budget preparation. Your audit should be filed with the Comptroller’s Division of Local Government Audit within 6 months after the end of the fiscal year. Without audited financial information, our office cannot adequately analyze and review the budget for approval. Pursuant to state law, apart from an emergency, your local government may not issue debt without an approved budget from our office.

If you need any assistance with your submission, you may contact your analyst.

Enclosures: Budget Submission Checklist
Contact Information

Budget Submission Checklist – Utility Systems

Before You Submit Your Budget – Remember:

1. Review last year's budget letter for items relevant to this year's budget: tncot.cc/lgf-letters.
2. Send your budget directly to: LGF@cot.tn.gov. – Do **not** send a separate **paper** copy.
3. Wait to submit your budget until **all** needed documentation is compiled. See our example budget submission at: tncot.cc/budget.
4. Send budget amendments in a **separate email** from your budget submission.
5. Do **not** send **debt requests** in the same email as your budget submission.

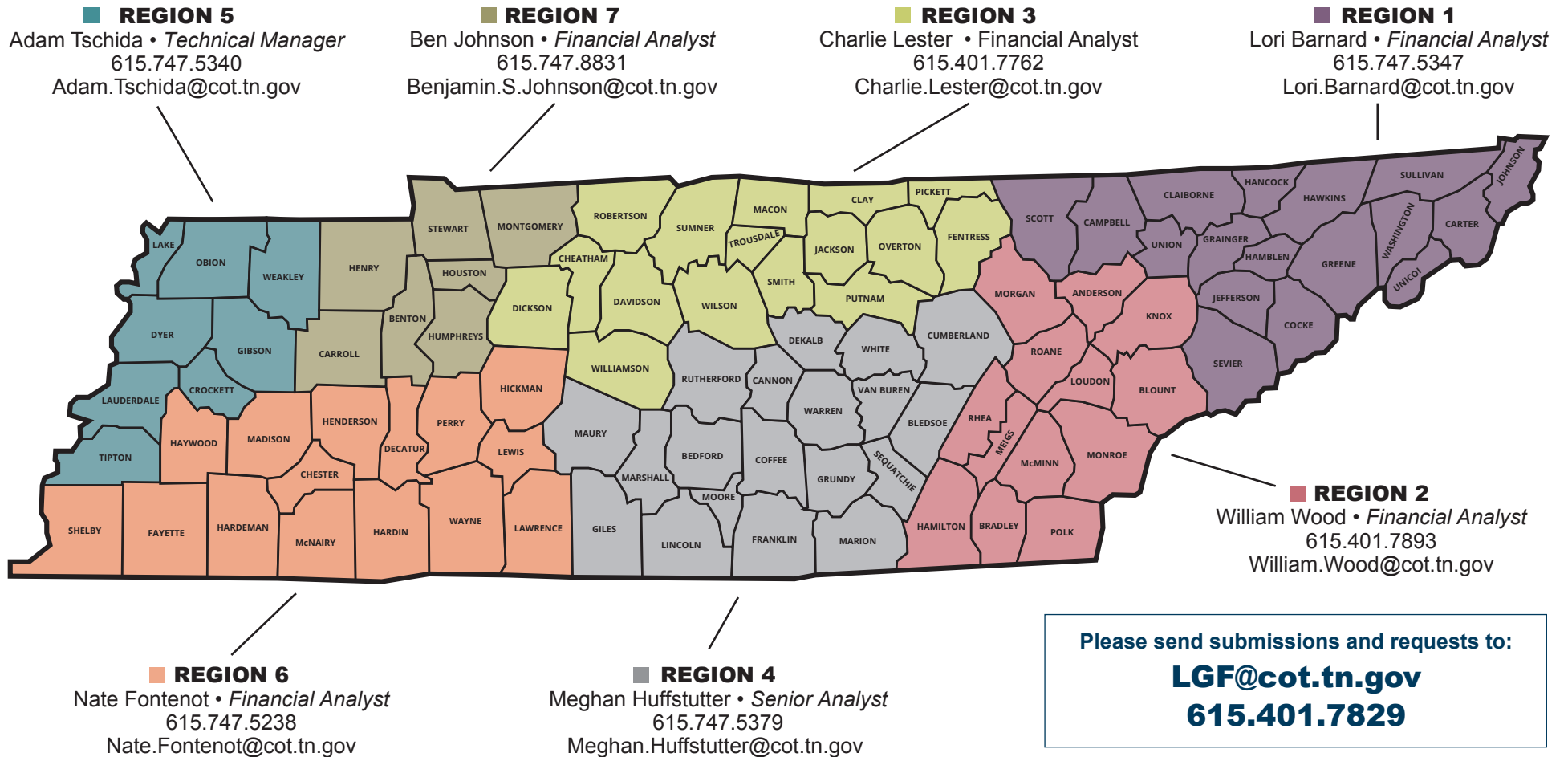
Be Sure to Include:

1. **Separate cover letter** on the utility system's letterhead (**not** in the body of the email)
 - a. Complete contact information should be included and at a minimum, email addresses for the:
 - Chairman or President of the Board; and
 - General Manager
2. **Resolution** adopting the budget
 - a. The governing body must take official action to adopt its annual budget. Our office recommends adoption of a resolution as the board's official action. A resolution can be submitted immediately to our office after the meeting at which the budget is adopted. A resolution template may be found on our website at: tncot.cc/budget.
 - b. Alternatively, the approved minutes of the meeting at which the Board adopted the budget may be submitted.
3. Detailed budget document that identifies all anticipated revenues by source and all anticipated expenses by type of expense
 - a. The budget must include depreciation and be adopted on a basis consistent with generally accepted accounting principles.
 - b. An example budget template is available on our website at: tncot.cc/budget.
4. Schedule of Outstanding Debt and Budgeted Debt Service, as applicable



Division of Local Government Finance

CONTACT INFORMATION BY REGION



Effective July 2023