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County Financial Management System of 1981

Dear Reader:

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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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County Financial Management System of 1981

Reference Number: CTAS-702

This act is found in T.C.A. §§ 5-21-101 through 5-21-130 and provides for the consolidation of financial functions and the establishment of a financial management system for all county funds handled by the county trustee. (Fee and commission accounts of fee offices are not handled by the county trustee and, therefore, are not included under the act.) The system is similar to that found in the 1957 acts; however, under this plan the county operates under one act rather than three. This system must be approved by a two-thirds vote of the county legislative body or a majority of the voters in order to be effective in any county. T.C.A. § 5-21-126.

Under the County Financial Management System of 1981, a finance department is created to administer the finances of the county for all funds handled by the trustee, in conformity with generally accepted principles of governmental accounting and rules and regulations established by the state comptroller of the treasury, state commissioner of education, and state law. T.C.A. § 5-21-103. Unlike the 1957 laws, this program includes the management of school funds just like all other county funds, although the commissioner of education may remove the school department if records are not properly maintained in a timely manner. T.C.A. § 5-21-124.

This system requires a county financial management committee consisting of the county mayor, supervisor of highways, superintendent of education (director of schools), and four members elected by the county legislative body. These latter four need not be members of the county legislative body, but may be. T.C.A. § 5-21-104(b). The committee establishes policies, procedures, and regulations to implement a sound, efficient county financial system. T.C.A. § 5-21-104(e). Additionally the county legislative body, by resolution, may create special committees or may authorize the financial management committee to assume any or all of the following functions: (1) budgeting, (2) investment, and (3) purchasing. T.C.A. § 5-21-105.

The county financial management committee appoints a director of finance. Minimum requirements for this position include a bachelor of science degree with at least 18 quarter hours in accounting, although the committee may select a person with two years of acceptable experience in a related position. T.C.A. § 5-21-106. The compensation of the director is established by the committee subject to the approval of the county legislative body. T.C.A. § 5-21-106(c). The director oversees the operation of the department of finance and installs and maintains a purchasing, payroll, budgeting, accounting, and cash management system for the county. T.C.A. § 5-21-107. The director must have a blanket bond of at least \$100,000 for the faithful performance of the director's duties as well as the department's employees. T.C.A. § 5-21-109.

The department of finance, under the supervision of the director and subject to the policies and regulations of the county financial management committee, is responsible for the following areas:

1. Budgeting: T.C.A. §§ 5-21-110 through 5-21-114;
2. Accounting Fiscal Procedures: T.C.A. §§ 5-21-115 through 5-21-116;
3. Payroll Account: T.C.A. § 5-21-117;
4. Purchasing: T.C.A. §§ 5-21-118 through 5-21-120;
5. Conflict of Interest - Improper Gifts: T.C.A. § 5-21-121; and
6. Compensation of Committee Members: T.C.A. § 5-21-122.

This system is to be installed within 13 months, beginning on July 1 of the fiscal year after its adoption and being completed by August 1 of the second fiscal year. T.C.A. § 5-21-127.

For those counties operating under the County Financial Management System of 1981, T.C.A. § 5-21-110(a) authorizes the budget committee, in conjunction with the director, to adopt a budget timeline. In the absence of a locally adopted timeline, § 5-21-110(e) provides a statutory timeline. The budgetary timeline provided in T.C.A. § 5-21-110 establishes deadlines for submittal of proposed budgets as well as deadlines for responding to such proposals. Section 5-21-110 provides that the timeline may be waived or altered upon agreement by the county legislative body and the respective department, commission, institution, board, office or agency. While the timeline may be altered, such changes do not impact the deadlines set forth in T.C.A. § 5-21-111. Under § 5-21-111, if the budget has not been adopted by July 1, the operating budget for the prior year will continue by operation of law without any further action by the county legislative body required. During this time, the budget may be amended just like a final operating budget. This continuing budget may remain in effect for July and August. It can

only be extended through September 30 with approval by the comptroller. Further, if the county legislative body and the school board fail to agree on an education budget by August 31, then the education budget will go into effect by operation of law. The budget will be equal to the minimum budget required to comply with the local match and maintenance of effort provisions in the BEP. If this occurs for three consecutive years, then the budget for the third year will include a mandatory increase that is equivalent to 3% of the required funding from local sources for schools. The 3% increase will not be required if the school board failed to comply with the budget timeline during any of those three years.

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