



County Technical Assistance Service
INSTITUTE *for* PUBLIC SERVICE

July 03, 2024

Budgeting Formula

Dear Reader:

The following document was created from the CTAS website (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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Budgeting Formula

Reference Number: CTAS-720

Preparing a budget is a systematic method of determining available funds and how the funds are to be expended. A basic formula has been developed to prepare a budget.

1. Establish beginning balances as of July 1 (accumulated funds from previous fiscal year)
2. **Add** estimated revenue for the next fiscal year
3. **Add** transfers from other funds (See Section 5 on GASB 54)
4. A, B, and C equals estimated available funds for expenditures
5. **Subtract** estimated expenditures for the next year
6. **Subtract** transfers to other funds (See Section 5 on GASB 54)
7. All of the above equals estimated ending balances as of June 30

This formula applies to each separate fund for which a budget is prepared. In preparing a budget using this formula, the accepted principle in determining budget estimates is to *conservatively estimate revenues and adequately estimate expenditures*. More details about the basic formula.

Over-estimating revenues and under-estimating expenditures will jeopardize the financial condition of the local government, since it has no way to print money or borrow funds for current operations past June 30 of the current fiscal year. A soundly planned and financed budget is imperative to the local government's financial condition, especially when it must issue long-term bonds or notes.

Recommended Practice: Periodically during the budget process, prepare an Operational Statement for all funds for the proposed budget.

Source URL: <https://www.ctas.tennessee.edu/eli/budgeting-formula>