



ANNUAL REPORT

County and Metropolitan Government Budgets

Fiscal Year June 30, 2024

May 16, 2024

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Comptroller of the Treasury



**DIVISION OF
LOCAL GOVERNMENT FINANCE**

Annual Report on County and Metropolitan Government Budgets

Fiscal Year June 30, 2024

Tenn. Code Ann. § 9-21-403 and 404

Tennessee Budget Manual for Local Governments

OVERVIEW AND SCOPE

The Comptroller’s Division of Local Government Finance (LGF) reviews and approves annual operating budgets for Tennessee’s 92 counties and 3 metropolitan governments. Tennessee counties and metropolitan governments operate on a fiscal year ending June 30th and prior to the beginning of each fiscal year, must adopt a budget resolution and email it, with other required documents, to LGF within 15 days following adoption.

The scope of this report is limited to the results of budget reviews for the fiscal year ending June 30, 2024. More information about the Comptroller’s budget approval process is available [online](#).

APPROVAL PROCESS

Within 30 days of receipt, the Division of Local Government Finance reviews a budget submission and sends a letter to the governing body of the local government outlining the results of the review. Those letters are available [online](#). Each budget submission will be approved, conditionally approved, or not approved.

1 **Approved:** Budgets are approved when projected revenues and other available funds are sufficient to meet anticipated expenditures (or expenses). An approved budget may still have comments regarding areas that should be addressed in future years.

2 **Conditionally Approved:** When budgets are conditionally approved, there is some required action by local officials. Generally, if the condition for approval is not met within a certain timeframe, the budget will not be approved.

3 **Not Approved:** Budgets are not approved when a county or metropolitan government has a delinquent budget, a delinquent audit, continued noncompliance issues, or fails to meet conditions for approval.

State legislators have recognized the importance of having an approved budget by passing legislation specifying that when a county or metropolitan government's budget is not approved, the governing body may not issue debt or financing obligations. In the case of an emergency, the Comptroller's Office may waive the requirement of budget approval to allow the county or metropolitan government to enter into emergency financial transactions. See Tenn. Code Ann. § 9-21-404.

2024 APPROVAL RESULTS

Initial budget reviews for the fiscal year ending June 30, 2024, resulted in **81** approvals and **14** conditional approvals. After local officials had the opportunity to meet the conditions for approval, the budget approvals increased to **95**, or 100%.

Budget Certificates

An important part of our review process is recognizing a job well done. To be effective, a budget should be adopted prior to the beginning of the fiscal year, be based on reliable estimates, be structurally balanced, provide for cash liquidity, allow for adequate reserves, be monitored throughout the year, and be amended, as necessary. The Comptroller's Office has an Annual Budget Certificate program to recognize local officials that adopt budgets meeting the following specific criteria:

- The budget was adopted on or before the fiscal year end;
- The budget was filed with the Division of Local Government Finance within 15 days of adoption;
- No issues of concern were raised during our review of the budget; and
- The county or metropolitan government is not currently under the oversight of the Tennessee Board of Utility Regulation.

We congratulate local officials from the **33** counties and **2** metropolitan governments that were awarded a budget certificate for the fiscal year ending June 30, 2024. The names of the most recent recipients of the Annual Budget Certificate may be found at: tncot.cc/budgetcertificates.

UNDERLYING CAUSES FOR DIFFERENT APPROVAL TYPES

Fiscal Year 2024 Budgets Not Approved

All county and metropolitan government budgets were approved.

Fiscal Year 2024 Budgets Conditionally Approved

When a budget submission does not meet basic requirements, the budget is approved conditioned upon action by local officials and cannot be approved until the condition(s) is met. Budgets were conditionally approved for the following general reasons:

- Planned spending in the detailed budget was not legally appropriated in the budget resolution.

- Transfers between funds were excluded from the budget resolution.
- The budget for a utility fund projected a statutory decrease in net position.
- Debt service requirements for principal and interest were omitted from the budget resolution for the Debt Service Fund.
- Depreciation expense was not budgeted at the fund level for a utility fund.
- The budget was not consistent with generally accepted accounting principles.
- The budget submission was incomplete.

Fiscal Year 2024 Budget Considerations and Recommendations for Future Years

Considerations for the next budget year and recommended best practices are an important part of our annual review of the budget and included the following areas:

- The budget was not adopted prior to the beginning of the fiscal year.
- The budget was not filed with the Comptroller's Office within 15 days of adoption.
- The budget anticipated a low cash and/or fund balance that should be closely monitored.
- The most recent audit reflected expenditures that were not legally appropriated in the budget.
- The detailed budget reflected the use of nonrecurring revenue to pay for recurring expenditures.
- Cash flows were not managed throughout the year resulting in a cash overdraft finding in the most recent audit.
- Interfund loans were not approved by the Comptroller's Office as required by state law.
- The county or metropolitan government was under the oversight of the Tennessee Board of Utility Regulation.
- The governing body budgeted to spend all revenue and reserves.
- Fund balance and cash management policies were recommended as best practices.
- A centralized financial management system for the accounting, budgeting, and purchasing was recommended as a best practice.
- Contact information was not included in the cover letter.
- The budget submission was incomplete and omitted required information.
- Revenue forecasts and other supporting schedules were omitted from the submission.
- An outdated budget resolution template was used to adopt the budget.

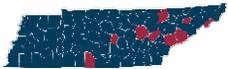
The most repeated comments in our review letters related to: (1) expenditures that were not legally appropriated in the budget resolution, as evidenced by the most recent audit on file, (2) incomplete submissions, and (3) budget adoption after the beginning of the budget year. Because findings related to failure to amend the budget throughout the year has been a recurring issue and an area of concern, in order to support local officials, we published "Steps to a Well-Balanced Budget" in 2023, and recently released a companion document to address related questions asked by local officials. Both of these publications are available [online](#).

For a snapshot of the results of our 2024 budget reviews, we encourage you to check out Appendix A.

Appendix A

2024 AT A GLANCE

BUDGET AND OTHER INFORMATION FOR TENNESSEE'S 95 COUNTIES AND METROPOLITAN GOVERNMENTS

 <p>26 budgets were approved with no future considerations.</p>	 <p>9 counties & 3 metro govts operate a water, sewer, or gas utility.</p>	 <p>1 budget letter mentioned TBOUR oversight.</p>	 <p>33 counties & 2 metro govts earned a budget certificate.</p>
 <p>61 county & metro govts adopted a timely budget.</p>	 <p>2 counties reported no general government debt.</p>	 <p>1 county has no county school system.</p>	 <p>All 95 budgets were approved.</p>
 <p>1 county & 1 metro govt earned GFOA's Budget Award.</p>	 <p>52 budget reviews resulted in a commendation.</p>	 <p>8 counties & 1 metro govt have a population of 10,000 or less.</p>	 <p>55 budgets were approved with future requirements.</p>
 <p>82 budgets were submitted for review within 15 days of adoption.</p>	 <p>9 counties were recognized by the Comptroller for audits with no findings.</p>	 <p>14 budgets required action before approval.</p>	 <p>32 budget letters mentioned needed budgetary controls.</p>

**These statistics are based upon our budget review results and the most recent information available at the time of our budget review and/or publication of this report, which included audited information for fiscal year 2022.*