



ANNUAL REPORT

Municipal 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 Municipal 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 342 municipalities. Tennessee municipalities operate on a fiscal year end ending June 30th and prior to the beginning of each fiscal year, must adopt a budget ordinance 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 municipality outlining the results of the review. Those letters are available [online](#). Each budget submission will be approved, conditionally approved, or not approved.

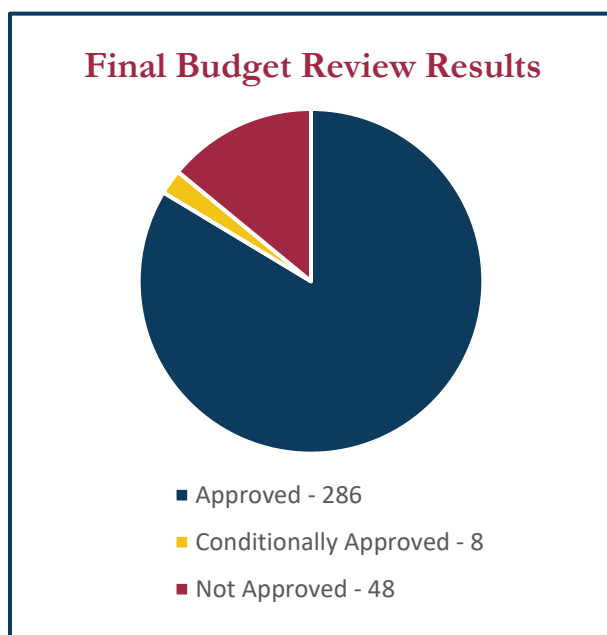
- 1** **Approved:** Budgets are approved when projected revenues and other available funds are sufficient to meet anticipated expenditures (or expenses). An approved budget may still have comments regarding areas that should be addressed in future years.

- 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 municipality 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 municipality’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 municipality to enter into emergency financial transactions. See Tenn. Code Ann. § 9-21-404. Appendix A includes a listing of municipalities with budgets that were not approved for fiscal year 2024.

2024 APPROVAL RESULTS



Initial budget reviews for the fiscal year ending June 30, 2024, resulted in **230** approvals, **74** conditional approvals, and **38** budgets that were not approved. After local officials had opportunity to meet the conditions for approval, the budget approvals increased to **286**, conditional approvals for continued compliance with directives from the Tennessee Board of Utility Regulation remained at **8**, and budgets that were not approved increased by ten to **48** for those governing bodies that did not meet conditions for approval.

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 municipality is not currently under the oversight of the Tennessee Board of Utility Regulation.

We congratulate local officials from the **87** municipalities 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

Appendix A includes a complete listing of municipalities with budgets that were not approved for the fiscal year ending June 30, 2024. Budgets were not approved for the following reasons:

- The municipality had one or more late audits at the time of our review of the budget. Municipalities are required to file their annual audit with the Comptroller's Division of Local Government Audit within six months after the end of the fiscal year.
- The budget was filed more than two months after the beginning of the fiscal year.
- The budget was not submitted for review.
- The condition(s) required for approval were not met.

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 ordinance.
- An unbalanced budget was adopted for a particular fund.
- Debt service requirements for principal and/or interest were omitted from the budget ordinance or detailed budget.
- Special revenue funds were excluded from the budget ordinance.
- The legal budget ordinance was not certified, signed, and dated.
- The budget ordinance did not meet minimum legal requirements for content.
- Utility funds projected a statutory decrease in net position.
- Depreciation expense was not based upon a reasonable estimate.
- Depreciation expense was not budgeted.
- The budget was not consistent with generally accepted accounting principles.
- The budget submission was incomplete.
- Shared costs between funds were not allocated correctly.
- Issues addressed from prior years were not corrected.
- The municipality was under the Tennessee Board of Utility Regulation (TBOUR) and approval was conditioned upon continued compliance with TBOUR directives.

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.
- Local officials budgeted the use of fund balance below minimum fund balance policy.
- The budget anticipated a low cash balance and/or fund balance that should be closely monitored.
- The most recent audit reflected expenditures that were not legally appropriated in the budget.
- The municipality was under the oversight of the Tennessee Board of Utility Regulation.
- Fund balance and cash management policies were recommended as best practices.
- Contact information for the municipality was not included in the cover letter.
- The budget submission was incomplete and omitted required information.
- The detailed budget was not presented in a three-column format that presented prior, current, and budget years.
- Revenue forecasts and other supporting schedules were omitted from the submission.
- Estimated revenue and expenditure amounts were not supported by reasonable assumptions.
- The governing body budgeted to spend all revenue and reserves.
- The number of funds in the budget did not agree with the number of funds in the audit.
- The budget ordinance omitted minimum required information.
- The budget was amended *after* expenditures were made. To provide legal spending authority, the budget should be amended prior to spending.
- The detailed budget reflected the use of nonrecurring revenue to pay for recurring expenditures.
- The budget did not follow generally accepting accounting principles.

The most repeated comments in our review letters related to: (1) expenditures that were not legally appropriated in the budget ordinance, as evidenced by the most recent audit on file, and (2) incomplete budget submissions. 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 B.

Appendix A

Fiscal Year 2024 Budgets Not Approved

Municipalities may not issue debt or financing obligations without an approved budget. In the case of an emergency, the Comptroller's Office may waive the requirement of budget approval to allow the municipality to enter into emergency financial transactions.

Municipality	County	Reason Not Approved
1. Beersheba Springs	Grundy	condition for approval not met
2. Benton	Polk	budget not filed
3. Big Sandy	Benton	budget not filed, late audits
4. Bradford	Gibson	late audit
5. Brownsville	Haywood	late audit
6. Burlison	Tipton	budget not filed, late audit
7. Church Hill	Hawkins	condition for approval not met
8. Cottage Grove	Henry	late audit
9. Decherd	Franklin	late audit
10. Dunlap	Sequatchie	budget not filed
11. Dyer	Gibson	late audit
12. Elkton	Giles	condition for approval not met
13. Friendship	Crockett	late audit
14. Gates	Lauderdale	budget filed late
15. Gibson	Gibson	late audits
16. Gleason	Weakley	late audits
17. Grand Junction	Hardeman, Fayette	late audit
18. Graysville	Rhea	late audit
19. Harriman	Roane	late audit
20. Henning	Lauderdale	budget not filed
21. Hollow Rock	Carroll	late audit
22. Hornsby	Hardeman	budget not filed, late audit
23. Huntland	Franklin	condition for approval not met
24. Jamestown	Fentress	late audit
25. Liberty	DeKalb	budget not filed
26. Lynnville	Giles	late audit
27. McEwen	Humphreys	late audit
28. Milledgeville	McNairy, Hardin, Chester	budget not filed
29. Minor Hill	Giles	condition for approval not met
30. Moscow	Fayette	late audits
31. Mount Carmel	Hawkins	late audit
32. Normandy	Bedford	late audits
33. Oneida	Scott	late audits

Municipality	County	Reason Not Approved
34. Parrottsville	Cocke	late audit
35. Rogersville	Hawkins	late audit
36. Sharon	Weakley	late audit
37. Slayden	Dickson	condition for approval not met
38. Sneedville	Hancock	late audit
39. Sparta	White	condition for approval not met
40. Spencer	Van Buren	condition for approval not met
41. Surgoinsville	Hawkins	late audit
42. Tellico Plains	Monroe	late audit
43. Toone	Hardeman	budget not filed, late audit
44. Viola	Warren	condition for approval not met
45. Vonore	Monroe	late audit
46. Wartrace	Bedford	condition for approval not met
47. Waverly	Humphreys	late audit
48. Yorkville	Gibson	budget not filed, late audit

Fiscal Year 2024 Budgets Conditionally Approved on Continued Compliance with Directives of the Tennessee Board of Utility Regulation (TBOUR)

















Municipalities that received a budget approval conditioned upon continued compliance with directives of TBOUR must first reach out to the Division of Local Government Finance prior to issuing debt. At that time, the division will confirm the municipality is complying with TBOUR directives.

Municipality	County
1. Atoka	Tipton
2. Brighton	Tipton
3. Celina	Clay
4. Copperhill	Polk
5. Mason	Tipton
6. Petersburg	Lincoln, Marshall
7. Sunbright	Morgan
8. Trimble	Dyer, Obion

Appendix B

2024 AT A GLANCE

BUDGET AND OTHER INFORMATION FOR TENNESSEE'S 342 MUNICIPALITIES

 <p>51 budgets were approved with no future considerations.</p>	 <p>247 municipalities operate a water, sewer, or gas utility.</p>	 <p>73 budget letters mentioned TBOUR Oversight.</p>	 <p>87 municipalities earned a budget certificate.</p>
 <p>293 municipalities adopted a timely budget.</p>	 <p>117 municipalities reported no general government debt.</p>	 <p>33 municipalities have a city school system.</p>	 <p>48 budgets were not approved.</p>
 <p>11 municipalities earned GFOA's Budget Award.</p>	 <p>210 budget reviews received a commendation.</p>	 <p>174 municipalities have a population of 2,000 or less.</p>	 <p>179 budgets were approved with future requirements.</p>
 <p>261 budgets were submitted for review within 15 days of adoption.</p>	 <p>82 budgets required action before approval.</p>	 <p>74 municipalities do not levy a property tax.</p>	 <p>138 municipalities reported expenditures that exceeded budgetary authority.</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.*