



ANNUAL REPORT

Municipal Budgets
Fiscal Year June 30, 2026
March 17, 2026

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Comptroller of the Treasury

**DIVISION OF
LOCAL GOVERNMENT FINANCE**

Annual Report on Municipal Budgets

Fiscal Year June 30, 2026

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 file it, with other required documents, to LGF within 15 calendar days following adoption.

The scope of this report is limited to the results of budget reviews for the fiscal year ending June 30, 2026. 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. 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 2026.

2026 APPROVAL RESULTS

Initial budget reviews for the fiscal year ending June 30, 2026, resulted in **237** approvals, **71** conditional approvals, and **34** budgets that were not approved. After local officials had the opportunity to meet conditions for approval, approvals increased to **295**, conditional approvals for continued compliance with directives from the Tennessee Board of Utility Regulation remained at **7**, and budgets that were not approved increased to **40**.

	2026	2025	2024	2023	
Initial Review					Approval Trend
Approved	237	244	230	219	
Conditionally Approved	71	58	74	93	
Not Approved	34	40	38	30	
Final Review					
Approved	295	289	286	273	
Conditionally Approved	7	5	8	30	
Not Approved	40	48	48	39	

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 the date 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 **86** municipalities that were awarded a budget certificate for the fiscal year ending June 30, 2026. The names of the most recent recipients of the Annual Budget Certificate may be found at: tncot.cc/budgetcertificates.

Budget Certificate Trend	2026	2025	2024	2023
	86	90	89	116

UNDERLYING CAUSES FOR DIFFERENT APPROVAL TYPES

Fiscal Year 2026 Budgets Not Approved

Appendix A includes a complete listing of municipalities with budgets that were not approved for the fiscal year ending June 30, 2026. 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 conditions required for approval were not met.
- Required items from the prior year budget review letter were not corrected.
- Disclaimed opinion unit(s) on financial statements that impacted the ability to analyze the budget.

Fiscal Year 2026 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:

SUBMISSION REQUIREMENTS

- The budget submission was incomplete.
- The required budget worksheet omitted key information.

BUDGET ORDINANCE AND DETAILED BUDGETS

- The budget ordinance did not meet minimum requirements of state law.
- The budget ordinance was not signed and/or dated.
- Planned spending included in the detailed budget was not legally appropriated in the budget ordinance.
- Expenditures were not appropriated at the legal level of spending authority.
- Debt service requirements for principal and/or interest were insufficient or omitted from the budget ordinance and/or detailed budget.

- The budget projected an ending deficit fund balance.
- The amount budgeted for ending fund balance was at a level of concern.
- The budget was not consistent with generally accepted accounting principles.

UTILITY BUDGETING

- Utility funds projected a statutory decrease in net position.
- Depreciation expense was either not budgeted or not based upon a reasonable estimate.
- The municipality was under the Tennessee Board of Utility Regulation (TBOUR) and approval was conditioned upon continued compliance with TBOUR directives.

OTHER

- Issues addressed from prior years were not corrected.

Fiscal Year 2026 Future Year Considerations and Recommendations

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:

SUBMISSION REQUIREMENTS

- The budget was not filed with the Comptroller's Office within 15 days of adoption.
- The submission omitted required information.
- The online budget submission portal was not used.
- The required budget worksheet was partially completed or inconsistent with other budget information.
- Scanned documents were not combined, e.g., multiple individual pages for the budget ordinance were not combined into one document for submission.

BUDGET ORDINANCE AND DETAILED BUDGETS

- The budget ordinance was not adopted prior to the beginning of the fiscal year.
- Basic information required by statute was omitted from the budget ordinance.
- The budget ordinance was not signed or dated.
- Special revenue funds were appropriated as one fund in the budget ordinance instead of by individual fund.
- The detailed budget was not presented in a three-column format that presented prior, current, and budget years.
- Planned spending in the detailed budget exceeded appropriations – because the difference could be easily managed, the municipality was directed to amend the budget if local officials planned to spend all expenditures identified in the detailed budget.
- Estimated revenue and expenditure amounts were not supported by reasonable assumptions which resulted in unrealistic budgetary estimates.
- The governing body budgeted to spend all revenue and reserves.
- The budget was not consistent with generally accepted accounting principles.
- The detailed budget reflected the use of nonrecurring revenues and/or reserves to pay for recurring expenditures.
- Transfers between funds were not budgeted.
- Information in supporting schedules did not reconcile to the budget.

UTILITY BUDGETING

- The municipality was under the oversight of the Tennessee Board of Utility Regulation (TBOUR).
- The budget for the utility system projected a statutory decrease in net position pursuant to TBOUR statutes when the municipality was not under TBOUR oversight.
- Some estimated revenue and/or expense amounts were not supported by reasonable assumptions resulting in unrealistic budgetary estimates.

MONITORING

- The most recent audit reflected expenditures that were not legally appropriated in the budget or in a subsequent budget amendment.
- The budget was amended *after* expenditures were made. To provide legal spending authority, the budget should be amended prior to spending.
- Budget amendments were submitted all at once as part of the budget submission. Amendments should be sent soon after adoption throughout the budget year.

CASH MANAGEMENT

- Ending cash balances were projected at a low level, generally less than one month's average spending.
- A supporting cash flow schedule projected negative cash for one month, indicating the municipality will need to request Comptroller approval for an operating loan.

BEST PRACTICES – POLICIES AND PROCEDURES

- Operating funds were projected to end the year with less than the minimum recommended two months of average expenditures in cash and/or fund balance.
- Local officials budgeted the use of fund balance below the municipality's minimum fund balance policy.
- Projected revenues were fully obligated for all funds.
- Best practices were recommended for:
 - a fund balance policy;
 - a cash management policy; and
 - the adoption of enterprise fund budgets by resolution; and
 - the use of the standard utility template provided on the Comptroller's website.

OTHER AREAS

- Modified opinion units in most recent audit.

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.

For a snapshot of the results of our 2026 budget reviews, we encourage you to check out Appendix B.

Appendix A

Fiscal Year 2026 Budgets Not Approved

Municipalities may not issue debt or financing obligations without an approved budget. 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. Alexandria	DeKalb	budget not filed or late
2. Baneberry	Jefferson	late audit
3. Beersheba Springs	Grundy	budget not filed or late
4. Big Sandy	Benton	late audit
5. Braden	Fayette	condition for approval not met
6. Brownsville	Haywood	late audit
7. Charleston	Bradley	late audit
8. Decherd	Franklin	late audits
9. Dunlap	Sequatchie	budget not filed or late
10. Friendship	Crockett	budget not filed or late, late audit
11. Garland	Tipton	late audits
12. Gibson	Gibson	late audits
13. Grand Junction	Hardeman, Fayette	budget not filed or late
14. Graysville	Rhea	condition for approval not met
15. Hollow Rock	Carroll	budget not filed or late, late audit
16. Hornsby	Hardeman	condition for approval not met
17. Jamestown	Fentress	late audit
18. Loretto	Lawrence	condition from prior year not met
19. Lynnville	Giles	budget not filed or late, late audit
20. Maury City	Crockett	budget not filed or late, late audit
21. McKenzie	Weakley, Henry, Carroll	condition for approval not met
22. Middleton	Hardeman	condition for approval not met
23. Millersville	Robertson, Sumner	uncertainty of budget information
24. Moscow	Fayette	late audits
25. Normandy	Bedford	late audit
26. Oakdale	Morgan	condition from prior year not met
27. Oakland	Fayette	late audit
28. Oliver Springs	Anderson, Morgan, Roane	late audit
29. Oneida	Scott	late audits
30. Parrottsville	Cocke	budget not filed or late, late audit
31. Rogersville	Hawkins	late audit
32. Sharon	Weakley	late audits

Municipality	County	Reason Not Approved
33. Slayden	Dickson	budget not filed or late
34. Sneedville	Hancock	late audit
35. Tellico Plains	Monroe	late audit
36. Tennessee Ridge	Houston, Stewart	late audits
37. Toone	Hardeman	budget not filed or late
38. Troy	Obion	condition for approval not met
39. Viola	Warren	budget not filed or late
40. Yorkville	Gibson	budget not filed or late, late audits

Fiscal Year 2026 Budgets Conditionally Approved on Continued Compliance with Directives of the Tennessee Board of Utility Regulation (TBOUR)

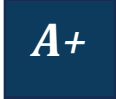















Municipalities that received a budget approval conditioned upon continued compliance with directives of TBOUR must first reach out to the Division of Local Government Finance prior to issuing debt. At that time, the division will confirm the municipality is complying with TBOUR directives.

Municipality	County
1. Friendsville	Blount
2. Gates	Lauderdale
3. Mason	Tipton
4. Mount Carmel	Hawkins
5. Petersburg	Lincoln, Marshall
6. Tusculum	Greene
7. Watertown	Wilson

Appendix B

2026 AT A GLANCE

BUDGET AND OTHER INFORMATION FOR TENNESSEE'S 342 MUNICIPALITIES

 <p>64 budgets were approved with no future considerations.</p>	 <p>241 municipalities operate a water, sewer, or gas utility.</p>	 <p>77 budget letters mentioned TBOUR Oversight.</p>	 <p>86 municipalities earned a budget certificate.</p>
 <p>295 municipalities adopted a timely budget.</p>	 <p>115 municipalities reported no general government debt.</p>	 <p>33 municipalities have a city school system.</p>	 <p>40 budgets were not approved.</p>
 <p>12 municipalities earned GFOA's Budget Award.</p>	 <p>209 budget reviews received a commendation.</p>	 <p>165 municipalities have a population of 2,000 or less.</p>	 <p>179 budgets were approved with future considerations.</p>
 <p>272 budgets were submitted for review within 15 days of adoption.</p>	 <p>64 budgets required action before approval.</p>	 <p>74 municipalities do not levy a property tax.</p>	 <p>160 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 FY 2024 audited information and FY 2025 and GFOA budget awards.*