



ANNUAL REPORT

Municipal Budgets

Fiscal Year June 30, 2025

March 10, 2025

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Comptroller of the Treasury



**DIVISION OF
LOCAL GOVERNMENT FINANCE**

Annual Report on Municipal Budgets

Fiscal Year June 30, 2025

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, 2025. 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 2025.

2025 APPROVAL RESULTS

Initial budget reviews for the fiscal year ending June 30, 2025, resulted in **244** approvals, **58** conditional approvals, and **40** budgets that were not approved. After local officials had the opportunity to meet conditions for approval, approvals increased to **289**, conditional approvals for continued compliance with directives from the Tennessee Board of Utility Regulation remained at **5**, and budgets that were not approved increased to **48**.

| | 2025 | 2024 | 2023 | Approval Trend |
|------------------------|------|------|------|-------------------|
| Initial Review | | | | |
| Approved | 244 | 230 | 219 | |
| Conditionally Approved | 58 | 74 | 93 | |
| Not Approved | 40 | 38 | 30 | |
| Final Review | | | | |
| Approved | 289 | 286 | 273 | |
| Conditionally Approved | 5 | 8 | 30 | |
| Not Approved | 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 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 **90** municipalities that were awarded a budget certificate for the fiscal year ending June 30, 2025. The names of the most recent recipients of the Annual Budget Certificate may be found at: tncot.cc/budgetcertificates.

| Budget Certificate Trend | 2025 | 2024 | 2023 |
|--------------------------|------|------|------|
| | 90 | 89 | 116 |

UNDERLYING CAUSES FOR DIFFERENT APPROVAL TYPES

Fiscal Year 2025 Budgets Not Approved

Appendix A includes a complete listing of municipalities with budgets that were not approved for the fiscal year ending June 30, 2025. 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.

Fiscal Year 2025 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.
- Debt service requirements for principal and/or interest were omitted from the budget ordinance or detailed budget.
- The amount budgeted for ending fund balance was at a level of concern.
- 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.
- 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 2025 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 and/or fund balance that should be closely monitored.
- The most recent audit reflected expenditures 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.
- 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.
- Supporting schedules were omitted from the submission.
- Estimated revenue and expenditure amounts were not supported by reasonable assumptions resulting in unrealistic budgetary estimates.
- 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 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 accepted accounting principles.
- Submission documents were not legible.
- Transfers between funds were not budgeted.
- Best practices were recommended (for example: fund balance policy, cash management policy, adoption of utility budgets by resolution, etc.)
- Expenditures for capital projects were not appropriated.
- The use of fund balance was budgeted for recurring expenditures.

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, to support local officials, we published “Steps to a Well-Balanced Budget” and 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 2025 budget reviews, we encourage you to check out Appendix B.

Appendix A

Fiscal Year 2025 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. Altamont | Grundy | condition for approval not met |
| 2. Baneberry | Jefferson | late audit |
| 3. Beersheba Springs | Grundy | repeated compliance failures |
| 4. Benton | Polk | late audit |
| 5. Bethel Springs | McNairy | budget filed late |
| 6. Big Sandy | Benton | budget not filed, late audits |
| 7. Burlison | Tipton | condition for approval not met |
| 8. Clarksburg | Carroll | condition for approval not met |
| 9. Cottage Grove | Henry | budget not filed, late audits |
| 10. Decherd | Franklin | late audit |
| 11. Ethridge | Lawrence | budget not filed |
| 12. Friendship | Crockett | late audit |
| 13. Garland | Tipton | late audit |
| 14. Gibson | Gibson | late audits |
| 15. Gleason | Weakley | late audit |
| 16. Graysville | Rhea | late audit |
| 17. Henning | Lauderdale | condition for approval not met |
| 18. Hollow Rock | Carroll | budget not filed, late audit |
| 19. Jacksboro | Campbell | late audit |
| 20. Jamestown | Fentress | late audits |
| 21. Livingston | Overton | late audit |
| 22. Lynnville | Giles | budget not filed, late audit |
| 23. Manchester | Coffee | late audit |
| 24. Mason | Tipton | budget not filed |
| 25. Millersville | Robertson, Sumner | uncertainty of budget information |
| 26. Minor Hill | Giles | budget not filed, late audit |
| 27. Moscow | Fayette | budget not filed, late audits |
| 28. Mount Carmel | Hawkins | late audit |
| 29. Normandy | Bedford | late audits |
| 30. Oliver Springs | Anderson, Morgan, Roane | late audit |
| 31. Oneida | Scott | late audits |

| Municipality | County | Reason Not Approved |
|---------------------|-------------------|--------------------------------------|
| 32. Parrottsville | Cocke | late audit |
| 33. Rives | Obion | condition for approval not met |
| 34. Samburg | Obion | budget not filed, late audit |
| 35. Sharon | Weakley | late audits |
| 36. Slayden | Dickson | budget not filed |
| 37. Smithville | DeKalb | condition for approval not met |
| 38. Sneedville | Hancock | late audit |
| 39. South Pittsburg | Marion | late audit |
| 40. Sparta | White | late audit |
| 41. Spring Hill | Williamson, Maury | prior condition for approval not met |
| 42. Tellico Plains | Monroe | late audit |
| 43. Tennessee Ridge | Houston, Stewart | late audit |
| 44. Viola | Warren | repeated compliance failures |
| 45. Wartrace | Bedford | prior condition for approval not met |
| 46. Watertown | Wilson | condition for approval not met |
| 47. Williston | Fayette | late audit |
| 48. Yorkville | Gibson | budget not filed, late audits |

Fiscal Year 2025 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. Hornsby | Hardeman |
| 2. Huntland | Franklin |
| 3. Petersburg | Lincoln, Marshall |
| 4. Stanton | Haywood |
| 5. Sunbright | Morgan |

Appendix B

2025 AT A GLANCE

BUDGET AND OTHER INFORMATION FOR TENNESSEE'S 342 MUNICIPALITIES

| | | | |
|--|---|--|--|
|  <p>47 budgets were approved with no future considerations.</p> |  <p>242 municipalities operate a water, sewer, or gas utility.</p> |  <p>66 budget letters mentioned TBOUR Oversight.</p> |  <p>90 municipalities earned a budget certificate.</p> |
|  <p>295 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>10 municipalities earned GFOA's Budget Award.</p> |  <p>220 budget reviews received a commendation.</p> |  <p>172 municipalities have a population of 2,000 or less.</p> |  <p>197 budgets were approved with future requirements.</p> |
|  <p>262 budgets were submitted for review within 15 days of adoption.</p> |  <p>58 budgets required action before approval.</p> |  <p>74 municipalities do not levy a property tax.</p> |  <p>144 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 2023.*