



JASON E. MUMPOWER
Comptroller

October 1, 2025

Honorable Lee Harris, Mayor
and Honorable Board of Commissioners
Shelby County
160 N Main St Ste 850
Memphis, TN 38103-1812

Dear Mayor Harris and Members of the Board:

This letter acknowledges receipt of a copy of the 2026 fiscal year budget.

Budget Not Approved

Our letter of approval for last year's budget (enclosed), dated and sent September 25, 2024, outlined very specific future requirements that the County **had** to meet in order to receive an approved budget from our Office. Because the County failed to meet those requirements, we are unable to approve the County's fiscal year 2026 budget as explained below.

Pursuant to state law, outside of an emergency, the County may not issue debt or financing obligations without an approved budget from our Office. Our Office has statutory authority to waive this limitation for emergency financial transactions.

Causes for Non-Approval:

1. Failure to Provide all Detailed Budgets

Last year's budget letter (Item #2) stated that "A detailed budget should be included for **all** funds that are included in the resolution, including school funds. These schedules should be at the line-item level and be split up by department". Our Office encountered two issues that were in direct conflict with this requirement when reviewing the 2026 budget. First, the detailed budgets for Memphis-Shelby County Schools were not included. Second, the detailed budgets were not consistent with state law that requires presentation consistent with generally accepted accounting principles. As a result, we were unable to analyze the detailed budgets at the individual fund level. Future submissions should include detailed budgets for all funds, including school funds, and be consistent with generally accepted accounting principles.

2. Failure to Provide Explanations for Negative Balances

Last year's budget letter (Item #3) stated that "If a fund is budgeted to end the year with a negative fund balance, a written explanation for the negative balance should be included." The submitted budget included five distinct funds that are anticipated to end the 2026 fiscal year with a negative fund balance. While the County did include cash flow forecasts for two of these funds, there was no written explanation for any of the negative funds. Furthermore, the two cash flows that were provided indicated that the respective funds were budgeted to end the year with a cash deficit as well; no explanation was provided for the negative balances.

3. Failure to Provide Beginning Cash and Fund Balances for All Funds

Last year's budget letter (Item #4) stated that "Beginning cash and fund balances must be included for ***all*** funds". The initial submission included cash information for only two funds of the County. Additionally, the County failed to include beginning cash and fund balances for ***any*** funds of the Memphis-Shelby County Schools in both the initial and updated submissions.

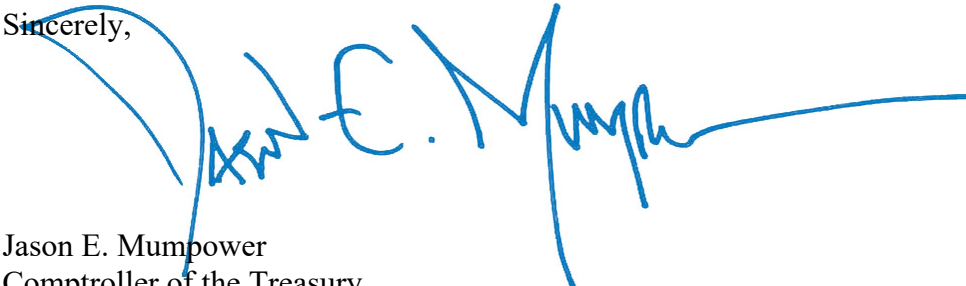
While we acknowledge some improvement, we again note that the submission received by our Office was not presented in a manner that allowed for a clear and efficient review. This is now the fifth consecutive year that we have addressed deficiencies in the County's annual budget submission. Continued and repeated issues should not be a problem that ***any*** local government encounters when our Office is very clear and forthcoming with the budget submission requirements. We strongly encourage the use of both internal and external resources to approach the problem as a team and create a plan for rectifying ***all*** deficiencies in the future.

We urge the County's governing body and financial staff to review the Budget Manual in order to provide a complete budget submission to our Office next fiscal year; a submission checklist is available on our website [here](#). As also noted in our letter last year, **future submissions that do not meet minimum submission requirements pursuant to the Budget Manual, including the above items, will not be approved.** We recommend reaching out to us for a draft review before submission of next year's budget. We are happy to help the County in preparations to ensure a complete submission; however, the County is ultimately responsible for developing an internal process that results in complete submissions.

If you should have questions or need assistance, please refer to our online resources or feel free to contact your financial analyst, Nate Fontenot, at 615.747.5238 or Nate.Fontenot@cot.tn.gov.

We look forward to working with the County to help ensure a successful budget submission for fiscal year 2027.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

Enclosure: FY 2025 Budget Review Letter

cc: Ms. Sheila Reed, Director, Division of Local Government Finance
Mr. Jim Arnette, Director, Division of Local Government Audit
Mr. Michael Thompson, Director of Accounts and Budgeting, Shelby County
Ms. Felicia Freney, Director of Accounts and Budgeting,
Memphis-Shelby County Schools



JASON E. MUMPOWER
Comptroller

September 25, 2024

Honorable Lee Harris, Mayor
and Honorable Board of Commissioners
Shelby County
160 N Main St Ste 850
Memphis, TN 38103-1812

Dear Mayor Harris and Board of Commissioners:

This letter acknowledges receipt of a certified copy of the fiscal year 2025 budget.

We have reviewed the budget and have determined that projected revenues and other available funds are sufficient to meet anticipated expenditures. Our review of the budget is based solely on the information we have received. With regard to programs included in the budget such as education, roads, and corrections, we have not attempted to determine that the local government has complied with specific program statutes or guidelines, or with any financing requirements prescribed by any state or federal agency. Please note local officials are required to ensure the budget remains balanced throughout the fiscal year and that all maintenance of effort requirements are met – our office has not reviewed or approved any maintenance of effort programs in this budget. Budget amendments must be sent to our office for formal acknowledgement after they are approved by the local governing body (submit to: LGF@cot.tn.gov).

This letter constitutes approval, by this office, for the County's fiscal year 2025 budget as adopted by the County Commission.

Fiscal Trends and Metrics Infographics

Taking the fiscal health of Tennessee's local governments seriously, the Comptroller's Office has created internal metrics and trends to help evaluate and monitor the financial position of counties and metropolitan governments in Tennessee. We sent a dashboard of the metrics and trends to state and local officials earlier this year and you can also find this resource on our website at tncot.cc/fisco.

Budget Considerations

During our review of the budget we identified the following items for your attention.

Future Submissions:

- Budget Packet:

Unfortunately, the budget submission for this year continued to have deficiencies consistent with previous years. A brief history is summarized below:

2022 Budget Year

The County sent an incomplete submission, and in our letter dated October 29, 2021, we requested a complete submission with needed budgets and supporting schedules for the following year.

2023 Budget Year

After several unsuccessful attempts to receive an entire budget submission, our office sent the County a letter dated September 27, 2022, conditionally approving the budget pending receipt of a complete budget submission.

2024 Budget Year

In our letter dated October 3, 2023, we conditionally approved the budget pending receipt of required information.

2025 Budget Year

Once again, basic schedules and other required information were omitted from the budget submission as more fully explained below.

The submission was not presented in a manner that allowed for a clear and efficient review by our office. Not only were detailed schedules and other required items not included in the submission, but various schedules did not correspond to appropriations for certain funds in the original submission. We also noted that for funds budgeted to end the year with a cash balance below the threshold identified in our Budget Manual, a required cash flow was often not included, and in several cases where one was provided, it did not correspond to additional information provided in the budget. Additionally, some funds were budgeted to end the year with a negative cash balance, which is not feasible. The County did subsequently send our office most of the needed information.

Prior to the submission of the budget presentation to our office for the 2026 fiscal year we ask that those responsible for this process to review our available documents and provide a complete, orderly, and timely submission to our office. Sample documents and templates are provided on our website that meet all requirements outlined in our Budget Manual, these documents are regularly updated so financial staff should be sure to download the most recently published tool before completing the requirements for the budget submission.

A few key points regarding future submissions are identified below, please see our [budget manual](#) to ensure that all requirements are met.

1. The name and email address for the County Mayor should be included in the cover letter.
2. A detailed budget should be included for *all* funds that are included in the resolution, including school funds, these schedules should be at the line item level and be split up by department.
3. For any operating fund ending the year with a cash balance below 15% (or if it meets any of the other criteria identified in the Budget Manual), a cash flow forecast *must* be provided. If a fund is budgeted to end the year with a negative fund balance, a written explanation for the negative balance should be included.
4. Beginning cash and fund balances must be included for *all* funds, this can be completed in the budget summary schedule.
5. Property and sales tax forecasts must be included.
6. All detailed schedules should correspond to what was appropriated in the adopted resolution.

Again, we urge the County's governing body and financial staff to review the Budget Manual in order to provide a complete and timely budget to our office next fiscal year; a submission checklist and sample submission are also available on our website [here](#). **Future submissions that do not meet minimum submission requirements pursuant to the Budget Manual, including the items listed above, will not be approved. We will no longer conditionally approve the County's budget each year pending submission of basic schedules and other financial information.**

Please note that should the County's budget not be approved next year, pursuant to state law, the County will not be able to issue debt apart from an emergency financing. We recommend reaching out to us for a draft review before submission of next year's budget. We are happy to help the County in preparations to ensure a complete submission along with offering the online resources mentioned above. However, the County is ultimately responsible for developing an internal process that results in complete submissions.

Other Items:

Timely Submission

Please note that the annual budget must be submitted to our office within 15 days of its adoption for the County to be eligible to receive the annual budget certificate: tncot.cc/budgetcertificates.

Expenditures Not Appropriated

During our review of the budget we noted that the County's most recent audit reflected actual expenditures exceeding budget appropriations for a major category within the General Fund. Expenditures at the major category level should be authorized in the original budget or an amendment to that budget or in a supplemental appropriation. The County's governing body needs to take steps to ensure that expenditures are closely monitored and the County stays within the budget appropriations. Future audits should reflect this has been corrected for your local government to be eligible to receive the annual budget certificate: tncot.cc/budgetcertificates.

If you should have questions or need assistance, please refer to our online resources or feel free to contact your financial analyst, Nate Fontenot, at 615.747.5238 or Nate.Fontenot@cot.tn.gov.

Sincerely,



Jason E. Mumpower
Comptroller of the Treasury

cc: Ms. Sheila Reed, Director, Division of Local Government Finance
Mr. Jim Arnette, Director, Division of Local Government Audit
Mr. Michael Thompson, Director of Accounts and Budgeting, Shelby County
Ms. Felicia Freney, Director of Accounts and Budgeting, Shelby County School System