

Internal Accounting and Reporting

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

The University of Tennessee
Municipal Technical Advisory Service
1610 University Avenue
Knoxville, TN 37921-6741
865-974-0411 phone
865-974-0423 fax
www.mtas.tennessee.edu

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Reference Number:
MTAS-581

T.C.A. § 9-3-401 *et seq.*, known as the Local Government Modernization Act of 2005, requires that local government accounting and reporting comply with generally accepted accounting principles. Penalties or restrictions may be assessed at the discretion of the comptroller's office for noncompliance with the act. What this means for governments is they must follow accounting standards established by the Governmental Accounting Standards Board (GASB). In order to record the new fund balances in the internal accounting system new account numbers must be established. Depending on the type of software used in each government this may have to be done with assistance from software vendors. MTAS recommends that governments consult with their software vendors and independent auditors prior to making any adjustments to fund balance in the accounting system. It may be necessary to create a separate spreadsheet or file to reclassify fund balances and maintain supporting documentation for your classification decisions and make the fund balance adjustments at year end.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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