

Chart of Accounts

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

Table of Contents

Chart of Accounts	3
-------------------------	---

Chart of Accounts

Reference Number: MTAS-1819

The following comments apply to revenues, as well as to expenditures, but we have chosen to use expenditures to stress the benefits of a chart of accounts. Expenditure accounts are far more numerous than revenues in the typical city budget. Each city must determine the optimum number of line items required for financial management. Too few or too many accounts will decrease the ability of financial managers to properly analyze cost centers. For example, it is difficult to know if water, sewer or electrical rates are the cause for exceeding a line item if they are all included in a single line item.

A standardized chart of accounts should be used in the city's budget, accounting records, and annual audit. This applies to any other finance-related activity. The benefits are uniformity in the city's total financial picture, reduced audit costs, and simplicity if a city has or is going to have an automated accounting system. Furthermore, it is important that the same level of detail is used throughout financial documents. If utilities are listed separately in the budget and accounting records, but the auditor groups all utilities together, then obtaining the specific data you need to begin your budget next year is very difficult. A recommended chart of accounts [1] is posted on our website.

Links:

[1] <https://www.mtas.tennessee.edu/knowledgebase/state-tennessee-standard-chart-accounts-classification-fund-function-object>

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.

Source URL (retrieved on 09/23/2019 - 5:16am): <https://www.mtas.tennessee.edu/reference/chart-accounts>