

---

---

## PREFACE

---

---

Section 9-2-102, *Tennessee Code Annotated*, requires the Department of Audit, Comptroller of the Treasury, to prescribe a uniform accounting system for all municipal offices that handle public funds. The statute states, “It is the duty of all officials to adopt and use the system and the character of books, reports, and records designated; . . .” An accounting system is defined as the methods and records established to identify, assemble, analyze, classify, record and report a government’s transactions and to maintain accountability for the related assets and liabilities.

To fulfill this responsibility to provide a comprehensive uniform accounting system, we are issuing the *Internal Control and Compliance Manual for Tennessee Municipalities* (the “City Manual”) dated June 2010, which replaces the City Manual dated 2009. This manual is effective upon release, except as otherwise noted. This manual sets forth guidance for establishing internal controls and identifies compliance issues related to state laws and regulations affecting municipalities. This manual is to be used in conjunction with the Government Finance Officers Association’s 2012 *Governmental Accounting, Auditing, and Financial Reporting*, (GAAFR), including all updates, except as noted below. The GAAFR is commonly known as the Blue Book.

Because of certain specialized accounting requirements, Tennessee municipalities should not use the illustrative chart of accounts in Appendix E of the GAAFR but should contact the Municipal Technical Advisory Service (<http://www.mtas.utk.edu>) for assistance when developing a chart of accounts. Unique reporting requirements applicable to the State of Tennessee, as outlined in Title 4 of this manual, may exceed the minimum requirements of the GAAFR and are required to be followed.

The City Manual provides references for *Tennessee Code Annotated* requirements and applicable state attorney general’s opinions for certain major topics. Please note that these references, which are included in the appendices, are not intended to be all-inclusive.