



March 10, 2025

---

# Basic Principles of Budgeting

---

Dear Reader:

The following document was created from the CTAS website ([ctas.tennessee.edu](http://ctas.tennessee.edu)). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county 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 county 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 CTAS website material.

Sincerely,

The University of Tennessee  
County Technical Assistance Service  
226 Anne Dallas Dudley Boulevard, Suite 400  
Nashville, Tennessee 37219  
615.532.3555 phone  
615.532.3699 fax  
[www.ctas.tennessee.edu](http://www.ctas.tennessee.edu)

Table of Contents

<b>Basic Principles of Budgeting .....</b>	<b>3</b>
<b>Budget Process and Approaches .....</b>	<b>3</b>
<b>Chart of Accounts .....</b>	<b>3</b>

# Basic Principles of Budgeting

Reference Number: CTAS-712

The annual budget is the finance plan for a public entity to provide services to all the people in the governmental jurisdiction. Taxes and other public funds are used to provide these services. Due to the importance of this public trust in providing critical governmental services, the following guiding principles that promote a successful budgeting process have evolved over many years of experience:

1. Communications should be clear and open to all public officials and the general public.
2. Information developed should be complete and accurate. It should also be available to officials, public, and press.
3. Problems of providing services by the government should be addressed in the budget. If the problems are not solved in a reasonable manner and a reasonable time, then the solutions usually cost more when the public demands action or a higher level of government mandates expensive solutions.

# Budget Process and Approaches

Reference Number: CTAS-713

The process of developing budgets depends on the availability and training of staff as well as the data processing capability of the county. In developing budgets, the operating department heads, the legislative body, and other elected officials should determine the information needed to make a reasonable decision in approving an operating budget. What problems and questions should be addressed in considering the budget? Although there are different approaches in developing budgets, as well as different types of budgets (zero basis, performance, etc), the budget type used by nearly all the local governments in Tennessee is the line-item budget. In developing a line-item budget, counties utilize an object code approach.

A budget lists each revenue account and expenditure by department or activity with line items under each for salaries, employee benefits, contracted services, supplies and materials, capital outlay, and other operating expenses.

# Chart of Accounts

Reference Number: CTAS-715

Local governments are a subdivision of state government; therefore the state has a vested interest in the operation of local governments. The state has a prescribed set of accounting codes (Chart of Accounts) in which the local governments use to budget and expense their cost of operations

In county government, each of the major operations—roads, education, and general government—operate under a separate fund maintained through the county trustees’ office. These funds are like subsidiary businesses of a holding company. Each fund has its separate accounting and budgeting system and records. A budget is approved by fund and function with a property tax rate set for each fund that needs it. Tennessee counties usually operate under the following funds:

Fund Name	Fund Number
General Fund	#101
Solid Waste/Sanitation Fund	#116
Drug Control Fund	#122
Highway/Public Works Fund	#131
General Purpose School Fund	#141
School Federal Projects Fund	#142
General Debt Service Fund	#151
General Capital Projects Fund	#171
Other Optional Funds	

County Uniform Chart of Accounts

Department Budget by Object Code

**Source URL:** <https://www.ctas.tennessee.edu/eli/basic-principles-budgeting>