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Accounting Procedures for Capital Improvement Projects

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily 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 e-Li material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Capitol Blvd. Suite 400
Nashville, TN. 37219
615-532-3555 phone
615-532-3699 fax
ctas@tennessee.edu
www.ctas.tennessee.edu

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Accounting Procedures for Capital Improvement Projects

Reference Number: CTAS-1714

The local government accounting department should use a fund accounting system with general accounting, budgetary, and encumbrance features in order to account for capital projects.

When a contract is awarded, it should be encumbered against the authorized appropriations (budget), and when "change orders" are authorized, these should also be reflected in the accounting records. The procedures used should reflect the original approved amount for the project as a budget, the amount of contract as encumbered and any change orders for additional encumbrances, the amount paid to-date, the amount unpaid, and the unencumbered amount (available budget). Since capital projects often exceed the fiscal year, a manual accounting generally is required to reestablish the available budget and encumbrances after a fiscal year has been closed. The accountants may need to discuss specific posting with their auditors.

Status reports for the Capital Project Fund and related sub-funds should be prepared and distributed to the appropriate department heads and local legislative bodies as needed.

At stake in this process is the credibility for future projects.

Recommended Practice: File Capital Project Fund and sub-fund financial reports with the county legislative body at least quarterly for inclusion in the commission minutes. Financial credibility is at stake.

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