



March 12, 2025

Capital Accounting by Sub-Funds

Dear Reader:

The following document was created from the CTAS website (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,

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Reference Number: CTAS-1712

Accounting for capital projects begins with fund number 171. The Accounting for Capital Projects diagram shows an example of accounting for capital projects by sub-funds within Fund 177. For each fund number, there is a balance sheet, statement of revenues, and statement of expenditures. Within this fund there can be sub-funds noted by three letters or numbers. Each sub-fund will also have a balance sheet, statement of revenues, and statement of expenditures. This allows for appropriate organization and documentation when maintaining the capital projects budget. Sub-fund accounting allows the managers of each project to have a separate accounting for their project and allows a separate reporting of the project to department heads, county commission, school boards, and the public. Sub-funds are often used to help insure the cost credibility of each project by not commingling funds from different projects. It is recommended that counties consider using sub-fund accounting for large individual projects and smaller projects by yearly sub-funds. Various examples are as follows:

1. A county has fire marshal deficiencies in various schools that total \$2 million dollars— the county may consider establishing a FIR sub-fund for all fire marshal improvements in their schools.
2. A county is building a new high school estimated at \$50 million dollars and a new middle school estimated at \$25 million dollars—the county may establish a HS sub-fund with \$50 million and MS sub-fund with \$25 million.
3. A county has a group of 20 small projects, some of which may take two years to complete. The total estimated cost of these projects is \$500,000 dollars. The county may establish a sub-fund 009 for these 20 projects noting that they are 2009 projects. Then the next year have a group of 2010 projects sub-fund 010. During this next year the county could still have 009 open and 010 open. A further recommendation would be that a small sub-fund be closed after the second year and any remaining funds be used for the new sub-fund year, such as 2011 or sub-fund 011.

Recommended Practice: Establish sub-funds within a Capital Project Fund if your county has a number of separate projects.

Recommended Practice: If your county has a number of capital improvement grants, you should consider establishing a Capital Project Fund and related sub-funds for the grants.

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