



# County Technical Assistance Service

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## Definitions for Capital Budgets

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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](mailto:ctas@tennessee.edu)  
[www.ctas.tennessee.edu](http://www.ctas.tennessee.edu)

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## Definitions for Capital Budgets

**Reference Number:** CTAS-1698

- Capital Improvements—Facilities and equipment that are either required by law or necessary for public interest. Generally expensive and have long useful lives. Includes land, buildings, and equipment.
  - Capital Improvements Plan (CIP)—A multi-year document used to identify needed additions and replacement improvements to your capital assets.
  - Capital Improvements Financing—The mechanism that is used to provide funds to purchase improvements to your facilities. Generally funds are provided by long term bonds/notes or additional funding from recurring or excessive revenues in operating budgets.
  - General Obligation (G.O.) Bonds—Debt created by local governments in the form of bonds not exceeding 40 years. Bonds are backed by the full faith and credit of the local government. Most G.O. bonds do not exceed 30 years.
  - Capital Outlay Notes—Debt created by local governments not exceeding 12 years.
  - Bond Anticipation Notes—Debt that does not exceed two years. Used for the purpose of delaying the issue of long term bonds in anticipation of better market conditions.
  - Local Government Pools—Funds borrowed by a local government organization which is then loaned to local governments.
  - Fixed Asset Accounting—An organized process of maintaining the inventory and historical costs of the capital assets of the government.
  - Financial Advisor—A consultant used to assist the local government in understanding their financial plan and financial needs.
  - Construction Manager—A person or firm used to assist the local government in overseeing a capital project. The manager can be an outside firm or an employee of the local government.
  - Owner's Representative—Similar to a construction manager; however, generally is engaged earlier in the project's development and assists in the project's initial planning and scheduling and with the procurement of construction contracts.
  - Capital Project Fund—An accounting system used to account for the revenues and expenses of the capital projects.
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