



Cost Subsequent to Acquisition

Dear Reader:

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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 municipal 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 MTAS website material.

Sincerely,

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Reference Number: MTAS-646

Maintenance is an expenditure that neither materially adds to the value of property nor appreciably prolongs its life. Maintenance keeps the property in ordinary efficient operating condition. Maintenance costs do not add value and should not be recorded in the CAAS. Paving or resurfacing roads is an expense while construction of new roads would be recorded as infrastructure.

Betterment is the replacement of a unit of an existing asset by an improved or superior unit, usually resulting in a more productive, efficient or longer-lived asset. Significant betterments are capital assets and should be added to the value of the property improved on the CAAS.

Before recording the cost of additions to capital assets, determine that the expenditure has bettered the asset. Analyze expenditures and add the part that bettered the asset to the value of the asset. Treat the part that only restored the asset to its former operation as a current expense.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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