



## Cost Subsequent to Acquisition

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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,

The University of Tennessee  
Municipal Technical Advisory Service  
1610 University Avenue  
Knoxville, TN 37921-6741  
865-974-0411 phone  
865-974-0423 fax  
[www.mtas.tennessee.edu](https://www.mtas.tennessee.edu)

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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.

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