



# Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Capital Assets

**Effective Date:** April 27, 2007  
**Revision Date:** September 16, 2025  
**Policy Number:** 1.4  
**Sponsor:** Division of Accounts

## Purpose

The purpose of this Policy Statement is to establish uniform guidelines across the Metropolitan Government of Nashville & Davidson County for the recording, tracking, controlling and financial reporting of capital assets.

## Definitions

**Capital Assets:** Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, furniture, fixtures, computer hardware, computer software, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives of more than 1 year.

**Capitalization Threshold:** The dollar value and useful life at which a government elects to capitalize assets. The capitalization threshold is \$10,000. Note that asset items capitalized under the previous threshold will continue to be depreciated and otherwise maintained in the Master Fixed Asset List until disposed by the applicable departments. Exceptions will be made at the discretion of the Chief Accountant if special circumstances warrant (i.e., the nature of the business of a particular fund or department, cost reporting/grant requirements, etc.).

**Cost:** The cost includes the purchase price before trade-in allowance, less discount, plus transportation and/or installation expenses. For construction projects, the total cost includes all associated costs such as construction, project management, architectural and engineering services provided by outside contractors or Metro employees. For new computer software or software upgrades, the total cost includes all associated implementation costs such as project management, programming and development services provided by outside contractors or Metro employees.

**Fixed Assets:** Term is interchangeable with "Capital Assets."

**Master Fixed Asset List:** The official list of the Government's capital assets as maintained in the centralized fixed asset accounting system.

**Tagging:** It is the responsibility of Metro departments to maintain a physical tagging/tracking system for acquired capital assets. Each capital asset acquired by the department shall be assigned an identification tag that must be affixed to the asset within 5 days of acquisition. Asset tags shall include a unique identification number, name of the government entity, and be placed in a visible and accessible location on the asset. Capital assets are not required to be tagged where it is impractical to do so as a result of physical characteristics or would result in impairment of the asset. (Ex: land, buildings, works of art, historical treasures, etc.)

**Tracked Assets:** Non-capital assets. Assets with a cost below the capitalization threshold of \$10,000, that may be tracked in the Master Fixed Asset List due to other factors as determined by a department head that central recordkeeping is needed. Factors include but are not limited to grant requirements, items of a sensitive nature, and items subject to theft.

**Impairment:** A significant and unexpected decline in the service utility or useful life of a capital asset due to events or changes not considered ordinary or expected in the capital asset's normal operations.



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**Administrative Overhead:** Refers to the indirect costs incurred by a government entity to support its overall operations but cannot be directly attributed to a specific project, program, or department. These costs are essential for running the organization and are typically allocated across departments or programs based on a rational cost allocation plan.

### General Policies

All capital assets (cost of \$10,000 or greater) shall be part of the official "Master Fixed Asset List" with records maintained in the Government's Enterprise Resource Planning (ERP) system. The Finance Department's Division of Accounts shall be responsible for the overall recordkeeping and financial reporting of the Government's capital assets.

Tracked assets (cost below \$10,000), at the discretion of a department head, may be maintained in the Government's centralized computer system; however, the Division of Accounts shall not be responsible for the input, maintenance or reporting of these tracked asset records.

If the Metropolitan Government constructs an item instead of buying it complete, administrative overhead expenses are to be considered as part of the cost.

Only salaries and benefits related to the portion of Metro employee's time spent actively providing project management or other services directly related to the ongoing construction or development of capital assets may be charged to Capital Projects Funds. Any such expenses shall be approved by the department head in advance and shall be documented along with approvals and retained in departmental files for audit and monitoring purposes.

Purchase orders and/or payment vouchers must be coded appropriately for capital expenditures over \$10,000 to be identified by Division of Accounts.

Services rendered such as architectural or engineering services shall be coded as capital expenditure if, and only if, all the associated costs of the project in progress are estimated to be greater than \$10,000.

For assets with components, if the combined cost of all the components required for the system to work totals \$10,000 or more, each component shall be capitalized.

Smaller items with an individual cost of under \$10,000 shall not be grouped together for the purpose of meeting the capitalization threshold.

Computer software (*not annual maintenance or license*) with a cost of \$10,000 or more must be capitalized. Computer software must be capitalized separately from computer hardware. As previously noted, the total cost may include all associated implementation costs such as project management, programming and development services provided by outside contractors or Metro employees.

Upon receipt of a capital asset, it is each department's responsibility to notify Division of Accounts within 5 business days, and to tag that asset within 5 business days of receipt of a fixed asset number. Tags should never be removed from capital assets. Items that cannot be physically tagged will be agreed upon by the department and the Division of Accounts and a fixed asset number for recordkeeping purposes shall be assigned by the Division of Accounts (i.e., real property, infrastructure, computer software and fleet equipment that is assigned a decal number.)

Upon the completed acquisition of real property, Public Property Administration, within the Department of General Services, shall provide notification to the Division of Accounts within 5 business days of acquisition.

The Division of Accounts or certain departments authorized by the Division of Accounts shall create a fixed asset master record in the centralized accounting system.

Disposal and transfers of capital assets (non-real property) shall be processed through General Services Surplus Property Division, which shall be responsible for notifying the Division of Accounts to update the related fixed



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asset master records upon completion of the disposal or transfer.

Departments shall notify the Division of Accounts within 5 business days of knowing of a potential impairment of a capital asset upon becoming aware of events or circumstances that may indicate such. Indicators may include:

- Evidence of physical damage to a structure (building, infrastructure, etc.)
- Technological developments that render a capital asset obsolete (equipment, software, etc.)
- Enactment of new laws or regulations that significantly impact the service utility of a capital asset
- Permanent cessation of construction on a capital project
- Any other significant change in the expected manner or duration of capital asset use

Upon the completed sale of real property (or other transfer of deed). Public Property Administration, within the Department of General Services, shall notify the Division of Accounts and shall provide pertinent information including identifying description of property within 5 days' business days of the transaction's closing.

The Division of Accounts shall record the disposal of assets in the ERP system within 15 business days of receiving notification. This includes capital assets that are discarded or scrapped due to condition or obsolescence.

- Net proceeds above net book value (NBV) shall be transferred to the original funding source for any capital asset sold that is identified by its fixed asset or decal number.
- For grant purchased capital assets, the net proceeds shall be returned to the grantor if required by the grant. Departments shall be responsible for ensuring such grant requirements are met and should work with the Division of Accounts to comply.
- Excess proceeds shall be transferred to the General Fund of the Government for capital asset sales that cannot be identified individually by fixed asset or decal numbers.
- Net proceeds from real property sales shall be deposited into the GSD Debt Fund or the MNPS Debt Fund, as appropriate.

Based upon the transfer forms submitted by departments, the Division of Accounts shall transfer capital assets in the centralized accounting system.

Depreciation is calculated each month using the straight-line method over the period of the useful life. Generally, the useful lives for the asset categories are as follows (although proprietary funds may vary):

- Land and easements – N/A (Note: Water & Sewer does depreciate easements.)
- Buildings – 40 years
- Land improvements – 20 years
- Building improvements – 20 years
- Furniture and fixtures – 10 years
- Animal (work related) – 10 years
- Machinery and equipment – 10 years
- Computer equipment – 3 years
- Computer software – 3 - 5 years
- Vehicles – 5 years

With the implementation of GASB 34, the General Government elected to account for its infrastructure assets using the modified approach. (Note that the Water & Sewer Department and the District Energy System do not use the modified approach; and therefore, depreciate infrastructure.) Under the modified approach:

- Depreciation is not reported.
- Only additions will be capitalized (new lane miles of roads and bridges).
- Infrastructure must be adequately preserved and maintained.
- Condition reporting is required.



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Department heads are responsible for the safekeeping of all capital assets, regardless of the dollar amount and regardless of whether they are tracked in the central accounting system or not.

On a three-year rotating basis, the Division of Accounts shall send a listing of each department's capital assets to the department heads so they can coordinate a departmental physical inventory. Any discrepancies between the capital asset listing and the physical inventory must be reported to the Division of Accounts, along with appropriate supporting documentation, within 6 weeks of receiving the listing.

### Applicable Local, State or Federal Regulations

Metro. Charter art. 8 § 8.103: The director of finance shall be responsible to the mayor for the administration of the financial affairs of the metropolitan government.

Metro. Charter art. 8, § 8.104: The budget officer, with the advice and assistance of the chief accountant, shall write, revise and maintain a proper standard procedure instruction manual to be followed by all officers, departments, boards and other agencies of the government to ensure uniform accounting and budgetary procedures.

Metro. Charter art. 8, § 8.105: The chief accountant shall maintain a general accounting system and such cost accounting records as shall be required by the director of finance.

Metro Code of Law 5.04.150

Metro Code of Law 2.24.250

### Associated Policies

Finance Department Policy 1.9 Capital Project Closeout

### Effective Date

This Policy Statement shall become effective upon issuance and shall be applied to all Metro departments and agencies.

### Approvals

#### Approval of the Director of Finance

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.

Jenneen Reed

Director of Finance

**Date:** September 16, 2025