



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@osa.state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### Statement of Position Asset Inventories

Every governmental entity should have an inventory of its capital and non-capitalized assets to comply with generally accepted accounting principles, for insurance coverage, and for internal control purposes. Also, an inventory may help detect theft or help determine the extent of loss if a break-in occurs.

An entity may have separate capital asset inventories for financial reporting purposes (listing those capital assets meeting the minimum capitalization amount) and for internal control purposes (listing those non-capitalized assets below the minimum dollar value established by the entity). The inventory for non-capitalized assets below the minimum dollar value will also assist the entity for insurance purposes and overall internal controls.<sup>1</sup>

For financial reporting purposes, capital assets are expensed over their useful lives as depreciation expense. The expected useful life of a capital asset should be estimated when the asset is put into service. The expected useful life of capital assets should be reassessed when events or changes in circumstances suggest the service utility of the asset may have significantly and unexpectedly declined, or if it looks like the asset will continue in service beyond the original estimated life.

For “capital assets” as defined by GASB Statement 34, public entities should:

- Identify and record capital asset information in the accounting system.
- Determine the useful life for various classes of assets to be used for depreciation purposes.
- Create general ledger account codes to record capital asset transactions.

To develop and maintain a capital/non-capitalized asset inventory system, we recommend that public entities:

- Identify types and purposes of assets to inventory and set a minimum dollar value for assets that will be included on the asset inventory list(s).

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<sup>1</sup> Such an inventory is especially helpful if public property is used by volunteers or is used at various private locations.

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This Statement of Position is not legal advice and is subject to revision.

- Create an inventory of all assets above the minimum dollar threshold amounts, and, if appropriate, an inventory of assets below the minimum threshold dollar amount.
- Assign actual or estimated historical costs to each item.
- Assign estimated useful lives for each asset and, as appropriate for long-lived assets, schedule when that useful life should be reevaluated.
- Label each asset with identifying information, such as the name of the public entity and a unique asset number. For non-capitalized assets below the minimum threshold dollar amount a serial number could be used as the identifying number for those items needing specific tracking (computers, cameras, guns, etc.).
- Assign the responsibility for knowing the location of each asset to a department head or official.
- Maintain supporting documentation for asset changes, including invoices for additions to capital assets, and bills of sale, trade-in evidence or auction summaries for deletions of capital assets.
- Periodically reevaluate useful lives of long-lived assets.
- Record the disposal of assets and the acquiring of new assets.
- Obtain authorized signatures from both departments when making transfers of assets between departments.

Keep the asset inventories current by conducting physical inventory inspections on a regular basis. This physical inventory can be rotated so that a portion of the capital assets is inventoried each year. We recommend that each asset be inventoried at least once every five years. Some critical capital assets may need to be inventoried more frequently.

For more information on inventories, see the [Minnesota Guide to Local Government Capital Assets](#).

For more information on GASB 34, see [GASB Statement No. 34](#).