

FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

Date Issued	Effective Date	Section	Title:
October 21, 1992	July 1, 1993	IV	Financial Management
Revision No.	Date Revised	Chapter	Title:
1	July 2016	7	Implementing a Capital Asset Management System

NATURE AND PURPOSE OF CAPITAL ASSET MANAGEMENT SYSTEMS

According to GASB *Codification*, Section 1400.103, capital assets include “land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, 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 extending beyond a single reporting period.” Infrastructure is defined as “long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.” Examples of infrastructure include roads, bridges, water and sewer systems, dams, and lighting systems.

Capital assets generally are the most visible expenditures a local unit of administration (LUA) incurs. Today, as taxpayers go about their daily business, they see reminders of their school tax dollars at work through schools, school buses, and land.

Inadequate capital asset records are one of the major causes of deficiencies in financial statements of LUAs. Because all Georgia LUAs must have annual audits, failure to install and maintain a capital asset management system may be cause for a modified opinion in the auditor's report.

Why is a Capital Asset System Necessary?

There are numerous reasons why every LUA should have implemented an effective capital asset management system. The degree of sophistication of the system and the number of features of the system will depend on the size of the LUA and the goals and objectives of its management.

Reasons why LUAs should establish and maintain capital asset management systems include:

1. Governmental accounting standards require inclusion of general capital assets, as well as capital assets used in business-type activities in the government-wide financial statements. Proprietary and fiduciary fund financial statements should also include capital assets.
2. Presentation of financial statements in accordance with generally accepted accounting principles allows the LUA to participate in the Government Finance Officers Association's (GFOA) Certificate of Excellence in Financial Reporting program or Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting Program.
3. Proper financial statement presentation satisfies debt underwriters and other creditors.
4. These systems facilitate preventive maintenance on buildings, furniture and equipment, and other assets.
5. Capital asset records improve risk management by providing records for replacement in the event of loss.
6. Historical cost data on capital assets helps plan for future capital expenditures (see Chapter 33 for a discussion of capital budgets).
7. Capital asset records facilitate federal grant compliance related to capital assets purchased with grant funds.
8. These systems increase the likelihood that surplus property is properly disposed of or sold for an appropriate sales price.
9. Depreciation calculation is simplified.

Beginning the Development of a Capital Asset System

One way to start the project is to present a staff report to the school board of the LUA. This staff report might include:

- Problem statement - why have capital asset records?
- Background - last inventory and appraisal or need to conduct one or both.
- Objectives of system.
- Alternatives to achieve objectives.
 - Use of in-house personnel.
 - Use of outside consultants.

- Joint effort with in-house personnel and outside consultants.
- Recommended course of action to achieve objectives.

The balance of this chapter will discuss how to design, implement and maintain such a system.

PLANNING

A proper planning effort is essential to minimizing the cost and time involved in establishing capital asset inventory records. Proper planning ensures that your system:

- Meets external financial reporting requirements.
- Meets the needs and requirements of all departments and schools within your LUA.
- Can be maintained properly so that the data will remain useful over the life of the system.

Improper planning will result in capital asset data that is not timely, accurate, or complete. The primary steps necessary for establishing a capital asset inventory system include the following:

1. Develop Capital Asset Policies.
2. Define System Requirements.
3. Create a Capital Asset Coding System
4. Implement the System
5. Conduct the Physical Inventory.

1. Develop Capital Asset Policies

Establishing and documenting capital asset accounting policies before creating capital asset inventory records is critical. Key policies provide general guidance to ensure proper system design. The policies should be established first since they affect other steps. Policies determine many system and procedural requirements. If not established first, the capital asset records will drive the setting of policies rather than vice versa. A policy or steering committee composed of senior level managers (e.g., department directors, principals), with the authority and responsibility to make policy decisions should be established to address policy issues.

Policy decisions should include:

- Capitalization threshold cost (amount at which a qualifying purchase is classified as a capital asset).

Section 702, *Valuation of capital Assets Other Than Intangibles*, of the PPC Guide discusses considerations when setting the capitalization threshold. While most governments do maintain an inventory list that includes every capital asset acquired or constructed, most report for GAAP purposes only those assets that exceed a specified cost. When setting the threshold for capitalization, the LUA must consider what capitalization level is reasonable for their size. What is the materiality threshold for the government-wide and major fund reporting? What threshold is necessary to meet the federal reporting requirements as established in the Federal Uniform Administrative Regulations? At what level will small value assets be maintained for inventory tracking for those assets that do not meet the capitalization threshold?

Typically, two criteria are apparent when determining the LUAs capitalization policy, the cost of the asset and its estimated useful life.

A school board's capitalization policy must meet state and federal requirements.

- Asset categories (land, buildings, equipment, etc.)

The various sizes of LUAs and the quantities of various kinds of capital assets will justify the number of classifications used. In all instances, the number of classifications should be minimized. The general intent is that when any kind of equipment is present in such quantity to represent a significant portion of the overall value (e.g., buses), it should be classified separately.

Sub-classes of major asset classes often are used. The major class usually equates to the general ledger accounts used. However the emphasis should be limiting the number of accounts and classifications in relationship to the potential problems and confusion that can arise from voluminous accounts and classifications.

Capital assets usually are classified into five major groups: buildings, machinery and equipment, improvements other than buildings, land, and construction in progress.

- Buildings

The buildings account usually includes the value of all buildings at invoice price or construction cost, as applicable. Sub-classes usually are by type of construction or by building component. The cost should include all charges applicable to the building including brokers', architects' and engineers' fees. For proprietary fund type capital assets the net interest cost on borrowed money during the construction period should be capitalized. Interest costs related to construction of general capital assets are not capitalized.

For a donated building, appraised fair market value at time of donation should be used. Additions and improvements to buildings (e.g., a new heating and ventilating system) should be added to the building account when these costs are considered betterments as discussed in Chapter 16. Burglar alarms may also be included in the building classification.

- Machinery and Equipment

The machinery and equipment account should consist of property that does not lose its identity when removed from its location and is not changed materially or expended in use. The sub-classes are many and varied for machinery and equipment. A sub-class such as data processing equipment might be sub-divided into more detailed items (e.g., terminals, printers). An LUA's capitalization policy will determine the items to be included in this account. This property should be recorded at cost, including freight, installation and other charges incurred to place the asset in use.

- Improvements Other Than Buildings

The improvements other than buildings account should be used to record the costs of infrastructure assets. These are public domain assets such as sidewalks, streets, curbs, etc. Sub-classes often are determined by types of improvements. The costs included here include paving, fencing, concrete walks and steps, lighting, plumbing, irrigation, signs, flagpoles, bleachers, ball park improvements, walls and fountains. Usually, values can be recorded on a "cost of construction basis." Items not included are landscaping, demolition, land acquisition, which is included in the land section, and movable equipment such as picnic tables that are included in the equipment classification.

- Land

The land account usually includes all land purchased or otherwise acquired by the LUA. The land account usually includes no subclasses. Purchased land should be carried on the records at cost. All expenses for legal services incidental to the acquisition and other charges incurred in preparing the land for use also should be included in the cost (e.g., building demolition). Donated land should be recorded at the appraised market value at the time of donation.

If a building is present on land at time of acquisition, the value of the land should be determined, and only that amount carried in the land account and the building carried in the building account. Costs relating to the razing of a structure and other costs relating to the land normally are capitalized and carried in the land account.

- Construction in Progress

The construction in progress account should be used when an LUA reports amounts expended on an incomplete construction project. Three sub-classes such as buildings, improvements and equipment might be used. When the project is complete, the amounts here should be

transferred to the appropriate asset classes.

- Tagging policy

Positive identification of an LUA's capital assets, a must for inventory, requires the use of a tagging system. Great emphasis is being placed today on accurate maintenance of property records. This emphasis has resulted in increased interest in the numbering or tagging of capital assets. While tagging appears to be a simple management undertaking, it can develop easily into a time-consuming, costly and often frustrating task. The total involvement of the LUA's management team is needed if a tagging system is to be maintained.

Which assets to tag is influenced by the purpose for which tagging has been established. If accounting problems alone are involved, the decision may be to control only major installations, major pieces of equipment and vehicles and large motors, because these assets represent the largest amount of capital outlay.

If property accountability is the desired purpose, the tagging operation may be applied to smaller items of equipment. A selected dollar threshold might be established for tagging which may or may not be consistent with the capitalization policy for these controllable items. The inventory system used may dictate which items to tag.

Careful consideration should be given to the cost to tag and control capital assets. Consider if it is important to identify an individual asset from other similar assets and will the records be changed each time the asset changes location. If it is important, then tagging should be considered.

See Practical Aspects of Tagging, page IV-37-16 for more details.

- Controlling Noncapitalized Items

Items falling below the capitalization threshold may require control due to risk of theft, to ensure legal compliance, or to avoid potential liability. In these circumstances, items should be identified and responsibility assigned to specific individuals within departments for maintaining associated records. Control would include maintaining a listing of items, periodically inventorying items, and communicating to the accounting function that detailed records of the items are current and kept within the department.

- Frequency of Inventory

The LUA should set a policy for how often a physical inventory should be conducted. It is recommended an inventory be conducted at least every five years.

- Disposition of Property

Include a requirement that surplus capital assets will be sold by advertised auction or sealed bids.

- Gifts and Donations

Include a statement that capital assets received by gifts or donations that meet capitalization thresholds must be added to the capital asset management system and valued at fair market value at the time of donation.

- Federal Property

Include a statement that capital assets funded with federal grants will be identified as such and reporting requirements of grant will be followed.

2. Define System Requirements

A survey should be conducted of all of the departments and schools as to their capital asset information needs. This allows for a review of all accounting requirements and a determination of both internal management and external information needs. The requirements should determine numbers and types of assets which are needed in the capital asset records to satisfy internal and external reporting requirements.

Failure to do so can cause several problems. Reports may be required and defined for which the necessary data elements are not available. It may be necessary to repeat portions of the inventory effort in order to obtain the value for data elements that were not identified initially to be part of the capital asset records. The selected computer software may be unable to process data elements identified after the selection. Distinguishing between critical data and information that would be nice to have is an important consideration.

3. Establish a Capital Asset Coding System

Adherence to a standardized group of appraisal accounts and classifications promotes uniformity, consistency and systematic compilation of data. A system of logical classifications and codes is essential to the maintenance of any capital asset accounting system, automated or manual. The system, when complete, should have the ability to present an accurate status of any group or class of capital assets at any point in time. This can be accomplished only when codes and classifications of capital assets are in place. These standards should be concerned primarily with asset classification, source of funds, property identification number and any other coding considerations. The coding system will be built upon the survey of user needs and the determination of data elements. The amount of data tracked for each asset may vary widely.

For all except the smallest LUAs it will be advisable to maintain the capital asset inventory records in a computerized format. Most systems have acquired software for this purpose.

4. Implement the System

To successfully implement a capital asset management system, one must:

- Obtain support from top management.
- Consider any desired data element or activity in relationship to the maintenance of the system.
- Delegate to the lowest practical organizational level.

5. Conduct the Physical Inventory

The inventory process is the gathering and assembly of the data which drives the capital asset accounting system. The plan for execution of the inventory phase of the system should be responsive to the needs described in the previous planning session as well as providing for an orderly and efficient manner by which to collect, record and organize properly the needed data.

Inventories can be accomplished using "in-house" personnel or by contracting with professional contractors. Fundamental and distinct advantages can be realized by contracting with reliable outside contractors. Project completion within established time frames, no interference with established priorities, third party credibility, and fulfillment of contractual obligations are the most obvious advantages to be realized.

Whether undertaken in-house or with contracted professionals, the specific needs and objectives generally are stated in preliminary plans or requests for proposals to outside contractors. Any responses to requests for proposals should address the elements stipulated therein. Those elements and specifications form the basis of a work plan.

Steps for Conducting the Physical Inventory

Step 1 - Planning the Project

Actual inventory work should be preceded by a project plan meeting with supervisory personnel. The purpose of such a meeting is to review the general scope of the project and identify specific tasks related to the actual fieldwork. Many of these items are similar to those discussed in the planning session. Items to be resolved should include:

- Review general scope of the plan.
- Identify specific properties to be included in the inventory.
- Identify specific properties to be excluded from the inventory.
- Establish time frames for completion of the entire project, as well as each phase of the

- project.
- Identify and specify elements of the final product expected (e.g., special reports, classes, codes, tagging procedures).
 - Establish specific dollar amount cut-offs (i.e., thresholds) for items to be excluded or grouped into specified classes of assets.
 - Identify tags to be used and develop placement specifications.
 - Provide for maintaining the inventory through either manual or automated applications.

To ensure smooth and punctual field operations with a minimum of time interruptions, each LUA undertaking an inventory of capital assets has the following tasks prior to the beginning of the field work.

- Notify appropriate school personnel and department managers.
- Furnish maps and plat plans of areas to be included in the inventory.
- Prepare letter of introduction for the inventory team when a contractor is used.
- Provide work space on the premises (i.e., in each school building).
- Identify sources and arrange for access to various blue prints, drawings and plans that may become necessary during the inventory.
- Arrange for access to various buildings and rooms identified as vital to the inventory.
- Establish and supply necessary coding information.
- Establish specific work hours to ensure the inventory progresses on schedule with minimum intrusion to normal daily operations.
- Consider the existence and whereabouts of any resources that might be of value to the development of property records.

Step 2 –Deciding when to Conduct Inventory

When to inventory is always a difficult question. There is no right time to inventory. As a general rule, all efforts should be made to minimize the disruption of the regular work day and school day. Obviously, if the inventory is conducted at night or on weekends, the disruption is minimal.

However, if the LUA's staff is not available, often there is limited access to locked closets, file cabinets, desks, etc. In addition, many LUA employees can provide much of the inventory information about specific assets (e.g., the source of supply, the asset cost, the date acquired).

Often equipment inventories in school buildings are conducted in the summer when school is not in session, as long as access to locked areas is made available.

Step 3 – Developing Input Forms

Input forms for use in recording inventory data in the field should be developed and organized in such a way to facilitate accurate and logical records of assets. Development of inventory recording forms also should reflect considerations for various coding to conform to specified class codes, fund accounts, grouped assets, school buildings, departments, etc. If no previous coding has been in use, now is the time to implement such a system. Coding systems need not be complicated, but should be able to accommodate and handle all needed controls.

Step 4 - Performing Inventory

Buildings

The inventory of buildings and building improvements must be physically inspected. The building inventory should be a quantitative and qualitative description of each structure. Basic building construction should be segregated from heating, ventilating, air conditioning, roof, elevators, plumbing, lighting, floor and ceiling cover, and built-ins. The latter assets may be replaced several times over the life of the building shell and, therefore, take a shorter useful life estimate. Segregation of their costs will also ease relieving the accounts when they are retired to avoid pyramiding costs. Qualitative items such as number of square feet and building capacity are helpful in the description.

The inventory record for buildings should include at a minimum:

- Description of the building
- Identification number if assigned
- Location and use
- Completion date if known
- Condition
- Cost or estimated historical cost
- Date of disposal
- Sale price

Equipment

The most time consuming inventory to maintain is that of the major movable and capital tangible personal property (equipment). The inventory record for equipment should include at a minimum:

- Description of the equipment (including make and model)
- Serial number or other identification number
- Vendor
- Title holder
- Acquisition date (if known)
- Quantity
- Source of funding
- Percentage of federal participation
- Location
- Condition
- Cost or estimated historical cost
- Date of disposal
- Sale price

Equipment includes picnic tables and movable playground equipment if capitalization threshold is met.

Often with modular equipment, the base unit is inventoried but the accessories are not inventoried.

Improvements Other Than Buildings

This inventory includes all improvements outside a building or improvements to a parcel of land. For paving, include total quantitative and qualitative amounts for site including berms and parking lot striping. Fencing should be inventoried by total linear feet including gates by type of fence. Concrete work should include sidewalks and flatwork. Plumbing for site should include drainage, irrigation, drinking fountains, hose bibs and on-site sewer. Area lighting should be inventoried separately.

Land

The land inventory should be listed by parcel using county's parcel number and/or lot, block and tract. The use and the location of the land should be listed. The inventory record for land should include at a minimum:

- Description of land
- Acreage
- County's parcel number and/or lot, block, and tract
- Use and location of the land
- Acquisition cost, if known or estimated historical cost
- Acquisition date, if known

See Tips for Inventorying on page IV-37-17

Step 5 - Review of Inventory Progress

It is important for the inventory team to hold regularly scheduled progress meetings once the inventory process is initiated. These meetings should be a forum for exchange of information, review of progress, personnel assignments and the preparation of progress summaries. Progress summaries should be discussed with the LUA's finance director or LUA person designated as responsible for the inventory on a regular basis.

As inventory work proceeds, a method of the measurement of progress against time projections becomes an important consideration. Job sheets can be created for each identified location and assignment during the inventory. As each geographic area is completed, a record of actual time expended in completion is made and compared to the time estimate.

The comparison produces a gauge of progress and serves as a warning when and if work begins to lag behind schedule. Each job control sheet should contain the projected time for each identified assignment area with space to record numbers of units counted, square feet of area involved and the total working time elapsed on completion.

Step 6 - Actual Inventory Listing

The actual inventory listing is usually the most time consuming part of the entire capital asset project. The size of the inventory team does not necessarily depend on the size of the project, although it most certainly is an important consideration. Of more importance is the complexity of the project, and the

availability of personnel with technical experience and skills to complete the project in a timely, accurate manner. If the inventory is to be undertaken with the use of LUA employees or students, training becomes absolutely essential.

Step 7 - Valuing and Costing

Costs and values can have varying meanings depending on the circumstances and ultimate application of the stated costs and value opinions. Generally accepted accounting principles (GAAP) are an important consideration in LUA's capital asset management systems. As indicated in Chapter 16, GAAP requires LUAs to record purchased capital assets at actual or estimated historical costs (i.e., the original costs).

Original cost is defined as the cost of capital assets in accordance with costs prevailing at the date the capital asset was first constructed or originally installed. Assets acquired through contribution or donation are required to be recorded at fair market value on the date donated.

Fair market value is defined as the estimated amount at which the capital asset might exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both.

The development of cost information might relate to a cost accounting objective for program cost analysis or grant reimbursement reporting. A third application for cost data applies to capital expenditure planning or for risk management protection.

The "cost reproduction new" is a term used for this application and is defined as the amount required to reproduce property in like kind and materials in accordance with current market prices.

The "cost of replacement new" also is a term used for this application and is defined as the amount required to replace property with a modern new unit utilizing the most current technology (which eliminates functional obsolescence) and construction materials that will duplicate the product capacity and utility of an existing unit at current market prices.

Various methods of costing are used to determine the original cost of a capital asset.

1. Direct costing is the most accurate and is determined through the use of actual original costs obtained from invoices or other source documents.
2. Estimated Historical Cost – Current Replacement may be used if after reconciliation of the newly constructed inventory records, costs for certain capital assets cannot be established. This method involves estimating the current cost of the capital asset at acquisition and then deflating it to the year of acquisition by using available price indexes.

For example, assume that actual original cost is not available for a five year-old drill press. The current replacement cost is \$1,750. By referring to appraisal manuals, which present indices of price changes by asset class (e.g., 1.192 is the increase for five

year-old shop equipment), the current replacement cost can be deflated to \$1,468 (i.e., \$1,750 divided by 1.192). Appraisal firms normally have software that includes the indices for each asset class which allows for ease in estimating historical costs. Often after deflating an asset's cost, it may fall below the capitalization policy established for the LUA.

The valuation of constructed capital assets sometimes can become a problem. As indicated earlier, GAAP requires purchased capital assets to be valued at cost. Constructed capital assets should be valued at cost to the LUA which could include not only materials and supplies, but any salaries and benefits relating to the construction. Salaries and benefits for construction should be charged to function 4000, Facilities Acquisition and Construction.

Establishing costs for inventoried capital assets should begin with examination of data from a variety of internal sources. For direct costing, sources such as existing vendor invoices, inventory records, vouchers, purchase orders and cancelled checks should be used. For standard costing, a knowledge of current costs for like items is required. Published indices are necessary for normal costing.

Donated or contributed capital assets are required to be recorded at fair market value at the time of donation. The sources for market data are varied.

MAINTAINING CAPITAL ASSET INVENTORY RECORDS

Once the capital asset records have been established, reporting changes in inventory records is an extremely important task.

Acquisitions

Recording the acquisition of capital assets usually is not the problem. Often there is an interface with the general ledger or the accounts payable system that interfaces to the capital assets management system for all purchased capital assets. There may be a delay in adding assets to the system that are constructed since normally they are paid for over a period of time. There must be a system developed to record capital assets acquired through capital lease or donation.

Modifications

Modifications to current records are common. Corrections are changes made to existing records relating to the original recording and could include:

- Error in prior classification of asset.
- Item disposed of and property record previously not deleted.
- Correction of description, serial number, or model number.
- Correction of cost.
- Year of acquisition change.
- Correction of asset tag number, equipment code number or service code number.

- Change in estimated useful life.
- Theft

The deletion of an item which previously was recorded and should not have been recorded in the asset register is considered an erasure.

Transfers

Transfers of capital assets between rooms and buildings often are difficult to track in a capital asset system. The necessary recording will depend upon the data maintained in the capital asset system. Changes will be necessary if data regarding location (e.g., school) or using department is maintained. Physical inventories become extremely difficult when transfers of equipment have not been processed.

Dispositions

Dispositions usually are not processed as quickly in the capital asset system. Some dispositions are the result of a sale, and a corresponding journal entry to record the revenues can be extracted and sent to the capital asset system, but most dispositions are simply discarded, trashed, or cannibalized. Without proper procedures, it may be months after a department has disposed of an item before the central capital asset or property management staff learn about the disposition. Ordinarily dispositions do not surface until the next physical inventory is taken.

Practical Aspects of Tagging

Tagging is important for:

- Providing a quick and accurate method of identifying individual assets.
- Facilitating the taking of inventory on a periodic basis.
- Controlling the location of all physical assets.
- Assisting in maintaining capital assets.
- Providing a common ground of communication for both the accounting department and the user of the assets.
- Assisting in identifying stolen goods.

What Type of Tag?

The type of tag to use is a decision that must be reached. Metal tags or some form of decal are the most common tags in use. However there are a large variety of tags available and it will require some investigation as to the best tag for each type of capital asset. Factors such as cost, ease of installation, procurement (particularly replacements) and durability should be considered when choosing the type of tag.

Metal tags are more permanent. These tags work very well on machinery, vehicles and other equipment subject to wear, accumulation of oil and grease, or periodic repainting. However these tags require time

and effort to properly apply them and are prone to be removed. Metal tags can be purchased in a variety of sizes and shapes, with or without the LUA's name stamped on them. Brass and aluminum are the normal materials used, but thought should be given to the potential corrosion that might occur on certain metals, dependent upon the tag use. Normally, the number should be painted or enameled so that it will stand out more easily from the tag itself.

There is available a durable, corrosive-resistant aluminum tag. Extremely thin, it adheres with a solvent-activated backing and will not wash or wear off. It bonds to the asset and is strongly resistant to accidental removal. Capable of adhering to rippled surfaces and even rough casting, it is easy to apply, attractive and eliminates the most serious objections to the use of metal tags.

Decal -type tags usually are satisfactory for tagging office furniture, office machines and small plant equipment. Machines are available for an LUA to make its own tags. Decals are available in a variety of forms, usually as a stock item. There is now on the market a "do-it-yourself" decal machine. If preferred, decals can be ordered with the LUA's name embossed on them, but again cost may be a factor. Care should be exercised that the surface which will receive the decal tag is free from grease, furniture wax, oil or other substances that will prevent proper adherence of the tag to the surface. Variations in temperature also may prevent proper adhesion.

Decals with bar coding may be used. However, there are handheld machines that can read the bar coding which results in improved periodic inventory taking.

Asset numbers may be stenciled or painted on machinery and equipment; but care must be taken to replace the number in the event of a rebuilding or repainting operation. Materials such as towels might be stenciled.

Where Are Tags Procured?

Tags are available in all size, shapes, colors and materials. An office equipment dealer may be helpful in locating a source. Also, the telephone book yellow pages or an Internet search usually provide an adequate list of sources. Various manufacturers can supply tags in almost any type of metal.

Some tags can be attached with a special epoxy resin base adhesive; some must be applied with fasteners. Metal tags can be imprinted, furnished with raised letters, furnished with the letters filled in with contrasting color and with many other combinations. Such tags usually are made to specific order, so sufficient time should be allowed for delivery.

Prices vary, depending on the type of tag and method of fastening. Appropriate discounts normally are allowed for purchase of graduating quantities. When choosing a supplier, be sure that the supplier will be capable of supplying additional tags at a later date since the same tag time should be used in the entire capital asset system. Normally, the number should be painted or enameled so that it will stand out more easily from the tag itself.

What Should Appear on the Tag?

A numerical designation should appear on the tag. An identifying mark or LUA logo also might appear on the tag, however it should be secondary. As a general rule and practice, a simple consecutive series of numbers will provide a satisfactory system. Here numbers are assigned in consecutive order without regard for type of asset and location. The use of a consecutive number allows each controllable asset to carry an assigned number throughout its entire life, regardless of its location. Once disposition has occurred, the number is retired.

A numerical system might be developed for the tags. The numbering system might reflect the year of acquisition or type of capital asset. The type of inventory system used might dictate the numbering scheme for tagging. However the cost-effectiveness of a numerical system must be considered. The use of manufacturers' serial numbers is not suggested. Often the numbers are difficult to locate and may become obscured by paint, rust or dirt.

Some LUAs prefer to assign varied series of numbers to certain departments, buildings or plants. The theory for this policy is acceptable; however, in practice it may necessitate an excessive amount of recordkeeping. Equipment tends to move, therefore any time a movement is made, the system must be changed to reflect the new department or building.

If the purpose of the inventory system is to track individual assets, a numbered tag is required. However, in situations where theft control is more important than accounting control, it might be preferable to affix tags that are not numbered but prominently display the LUA's name and/or logo.

When to Tag?

When to tag machinery and equipment is an important decision. There are numerous theories about when an LUA initially should tag its assets. Tagging when employees are not working results in little interference with the normal work day. However, often cabinets and closets are locked and there is no one available to open these areas in order to inventory. In addition, a LUA's employees may be able to provide additional information regarding inventoriable assets such as the cost, date purchased, the vendor and other pertinent information.

Who Should Tag?

Who should complete the tagging process also is an important decision. Who assigns the tag number and who does the tagging varies from LUA to LUA. Since the property record-keeping normally is the responsibility of the accounting department, this department might assign the number. In other LUAs, either the purchasing department or the receiving departments might assign the number.

After the number is assigned, the tag may be attached to the capital asset by the staff from the central warehouse, the purchasing department, the accounting department, or the staff of the respective department or school using the equipment.

Where Should the Tag be Placed?

The placement of tags should be a simple decision. However, the tag location on assets is important and must be consistently placed and accessible. It's important to know where to find a tag when verifying the asset record. For some items there is no good place, however, if and when tagging is used, it should be consistent. The tag should be placed in an area where the number can be easily seen and identified without disturbing the operation of the item. This placement will allow for easy periodic inventory taking. However, in some areas tags are kept out of sight due to management's desire to create the best possible appearance.

Tips for Inventorying

1. Identify items at location and trace to inventory list. This will help identify those items that have not been included. Items that are unaccounted for on the listing should be located.
2. Locate all the capital assets at each location before moving to another area. If items are missing, make a list of these for follow up.
3. Provide advance notice of the inventory process to applicable personnel in all locations.
4. Use the generic name when describing buildings (the name the LUA uses).
5. Make clear and concise notations on the inventory sheets to ensure the capital asset management system is properly updated.
6. Contact the department manager, school principal and school custodian as resources for inventories that involve custom built items of machinery, lab components, etc.
7. Maintain contact with those responsible for the project throughout the inventory process.