

Tidewater Youth Services Commission Operating Instruction 1.8

Managing Fixed Assets and Controlled Assets

Issued By: Shawn Sawyer, Executive Director

Effective Date: 7-1-2005

Revised: 12-7-18

Issued to: All TYSC Directors and TYSC Administrative Staff

Expiration Date: When cancelled or superseded

The purpose of this instruction is to provide guidance concerning the classification of items as capital or controlled assets and the recording of the value of capital assets.

Definition of a Capitalized Asset

As defined by Commonwealth of Virginia, Department of Juvenile Justice Administrative Directive 04-003.10, a capital asset is “an item acquired at a cost of \$5000 or more, with an expected life of more than one year.”

Definition of a Controlled Asset

A controlled asset is “an item acquired at a cost of less than \$5000, but more than \$500...”. An example would be computer equipment. Additionally, durable equipment purchased under specific program guidance such as the USDA School Nutrition Program will be tracked as a controlled asset, if not meeting the definition of a Capitalized Asset.

Recording Capital and Controlled Assets

A member of the Administrative Unit will be responsible for maintaining an inventory of capital assets and an inventory of controlled assets including:

- **Description of the Asset**
- **Date of Acquisition**

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- **Fund Source (i.e. Operating Funds, Fund Balance, Donation, Grant)**
- **Program holding the Asset**
- **Life Expectancy**
- **Date of Disposal (if appropriate)**
- **Method of Disposal (if appropriate)**

The purchase of a capital item will be authorized by the Executive Director or designee. A copy of the order will be forwarded to the Administrative Unit, where the item(s) will be recorded to the appropriate program's capital assets inventory.

The member of the Administrative Unit responsible for inventory control will review each month's transactions to identify purchases of items that are to be added to the appropriate program's controlled assets inventory.

Depreciation of Capital Asset Values

Each capital item will be depreciated using the straight line method over the life expectancy of the item. Typically, equipment will be depreciated over a period of three to seven years. Other generally accepted methods of depreciation may be used as situations warrant.

Once a piece of equipment has been fully depreciated it will remain on the inventory but, will be valued at \$0.

Annual Inventory of Capital and Controlled Assets

Each fiscal year, each program director and the member of the Administrative Unit responsible for inventory control will conduct and onsite inventory and update the program's capital asset and controlled asset inventories.

Program directors are advised to keep a memorandum file containing documentation of the gain and disposal of items from their capital asset and controlled asset inventories.

When items are lost or added to inventory without any supporting documentation, the applicable program director must prepare a memorandum within 30 days of the inventory.

- **Describing what was list or added,**
- **What investigation concerning the loss or gain revealed,**

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- **Corrective actions taken, if appropriate.**

These memoranda will be reviewed by the Finance and Accounting Manager and Administration and retained with that year's inventory records.