



# CAPITAL ASSET MANAGEMENT POLICY

---

<b>CODE:</b>	D.003
<b>CATEGORY:</b>	FINANCE
<b>RESPONSIBILITY:</b>	ASSISTANT DIRECTOR OF EDUCATION – FINANCE AND ADMINISTRATION
<b>APPROVAL:</b>	BOARD OF TRUSTEES
<b>APPROVAL DATE:</b>	AUGUST 2010
<b>ISSUE DATE:</b>	JULY 2010
<b>NEXT REVIEW:</b>	JULY 2015

---

## INTRODUCTION

Mamu Tshishkutamashutau is responsible to report fairly and accurately on Audited Financial Statements, to the federal government and the Innu people of Labrador its capital asset inventory. MTIE has adopted the following Capital Asset Management Policy to ensure its commitment to accountability, transparency, efficiency and relevance when accounting and safeguarding capital assets.

## PURPOSE

The purpose of this policy is to establish a framework for the management and control of Mamu Tshishkutamashutau capital assets, including proper recognition, measurement, safeguarding and disposal thereof. Additional regulations related to the purchasing and ordering of equipment are found in the Purchasing Policy and Quotation, Tender and Award Policy.

## SCOPE

This policy applies to all property whether tangible (i.e. equipment) or intangible, which is either donated or purchased and which qualify as capital assets. According to the Canadian Institute of Chartered Accountants (CICA) Handbook, capital assets are identifiable assets that meet all of the following criteria:

- a. Are held for use in the provision of services, for administrative and academic purposes, for the production of goods or for the maintenance, repair, development or construction of other capital assets;
- b. Have been acquired, constructed or developed with the intention of being used on a continuing basis;
- c. Are not intended for sale in the ordinary course of operations;

- d. Whose useful life extends beyond one (1) year and whose capitalization threshold varies according to its category (see Appendix A – Recognition and Amortization Guidelines).

## **POLICY**

### **General**

1. All capital assets purchased with MTIE operating, capital or contribution funds, as well as all donated capital assets, remain the property of MTIE regardless of physical location.
2. An exception to the general rule outlined in Section 1 may exist in the case of capital assets purchased with funding that has a specific condition imposed by the granting organization at the time the grant/funding is awarded as to the ownership of the capital asset to be purchased. In such cases, capital asset costs shall not be shared with other organizational funds and shall not be capitalized for financial reporting purposes.

### **Recognition & Measurement**

3. Capital assets are recorded at cost. As a general rule, cost includes:
  - The purchase price;
  - Installation costs;
  - Freight charges;
  - Transportation;
  - Taxes and duties; and
  - Other acquisition costs.

For donated capital assets, cost is considered to be the fair value at the date of donation. Fair value may be estimated using market or appraisal values. The Assistant Director Finance and Administration should be contact when donated capital assets are received.

4. Any costs incurred to enhance the service potential of a capital asset are considered to be an improvement and shall be capitalized irrespective of the source of funding. Service potential is enhanced when there is an increase in previously assessed service capacity; associated operating costs are lowered; the useful life of the capital assets is extended or the quality of output is improved.
5. All capital assets with a limited life shall be amortized in accordance with stated methods and guidelines in effect (Appendix A).

### **Custody & Security**

6. Certain capital assets shall be tracked by physical location through fixed asset inventorying maintained by the Office of the Assistant Director Finance and Administration.

A physical inventory shall be taken every three (3) years. Inventory shall be completed by the Office of the Assistant Director Finance and Administration in conjunction with Department Heads.

7. It is the responsibility of the Department Head to ensure that capital assets assigned to his or her custody are maintained and safeguarded in accordance with MTIE policies and procedures. The capital assets held under his or her responsibility shall be reported in accordance with Appendix B.
8. As a general rule, all moveable capital assets shall remain at the physical location assigned to them. Capital assets may only be removed from their location in the course of conducting School related operations.
9. It is the responsibility of the Department Head to report any stolen or damaged property to the Assistant Director Finance and Administration.

#### **Disposal**

10. At the end of a capital asset's useful life, the Office of the Assistant Director Finance and Administration shall follow the appropriate procedures for capital asset disposal as outlined in Appendix C.

#### **RELATED POLICIES**

Quotation, Tender & Award Policy  
Purchasing Policy

**APPENDIX A**

**RECOGNITION AND AMORTIZATION GUIDELINES**

<b>FIXED ASSET CLASS</b>	<b>MINIMUM AMOUNT</b>	<b>AMORTIZATION PERIOD</b>
Leasehold Improvements per lease	\$ 30,000	
Service Vehicles	\$ 1,000	5 years
Bussing	\$1,000	8 years
Equipment:		
Furniture	\$ 300	5 years
Computer	\$ 1,000	3 years
Software	\$ 1,000	3 years
Major (or in-house) Software	\$ 30,000	5 years
Other Intangible Assets	\$ 1,000	Normal life: max 40 years
Art Collection	\$ 1,000	n/a
Donations	n/a	Normal life

**NOTES**

**1. Building Alterations and Improvements**

Mamu Tshishkutamashutau’s occupied buildings are used for various purposes including as classrooms, offices, libraries and gymnasiums. Buildings are not included in balance sheet accounts, as ownership of these facilities remain with the Band Councils of Sheshatshiu and Natuashish. Therefore, building alterations and improvements would be coordinated through the corresponding Band Council.

**2. Leasehold Improvements**

Leasehold improvements to rented space cannot be amortized beyond the term of the lease. A careful review of the lease is necessary before starting any project in order to ascertain whether the cost of the project is cost-effective. All costs relating to the renovation shall be capitalized if they exceed \$30,000 per lease. If they do not, all costs will be expensed.

**3. Vehicles**

Vehicles include cars, trucks, busses, tractors, snow plows and snowmobiles. Accessories or equipment forming part of some of the above-mentioned examples including trailers, platforms and wagons are considered as capital assets as well, although they may not be motorized, and are treated with the same guidelines for amortization as Vehicles.

**4. Equipment**

**General**

Equipment shall be capitalized if the cost is equal or greater than the threshold set by the government regulations. Amounts less than the threshold limit shall be expensed.

Component parts which individually cost less than the capitalization level but when combined exceed it shall be capitalized when purchased as a unit. For example, when purchasing a hard drive, monitor, printer or keyboard and each part costs less than \$1,000 but as one functional unit has a total cost exceeding \$1,000, the capital asset shall be capitalized. When a keyboard is purchased as a replacement part, however, it shall not be capitalized.

### **Software**

Software differs as it is not always tangible or separately identifiable. Software prices vary enormously and MTIE amortizes large expenditures rather than expensing them all in one fiscal year. There are two classifications for software:

1. Desktop Software – maximum useful life of five (5) years for all software purchases exceeding \$ 1,000.
2. Major Software or In-House Software – whether purchased or developed, the threshold is fixed at \$30,000 for a maximum amortization period of five (5) years.

Whenever possible, all production costs related to major software applications must be taken into consideration in order to arrive at the actual value of the capital asset.

### **5. Art Collection**

These are capital assets with an exceptionally long or unlimited lifespan due to their cultural or historical value. Such capital assets include jewellery, paintings, sculptures and monuments. Amounts exceeding \$1,000 shall be capitalized and added to the fixed asset inventory system. All other transactions shall be expensed.

### **6. Donations**

Donations are gifts, whether tangible or intangible, received by Mamu Tshishkutamashutau. Cash and securities are not considered as a donation of a gift-in-kind. Donations which qualify as capital assets including equipment, artwork and copyright interests shall be added to the fixed asset inventory system at the fair market value of the asset at the time it was received. If the asset's fair market value cannot be determined, the capital asset shall be evaluated at a nominal amount. All indirect costs, such as transportation and installation, associated with the donation shall be included when evaluating the capital asset. The donation shall not be amortized beyond the useful life of the donation.

## APPENDIX B

### PHYSICAL CONTROL OF CAPITAL ASSETS

1. *Accountable assets*, which are normally included in the fixed asset inventory, include but are not restricted to:
  - Vehicles
  - Computers, printers, fax machines and photocopiers
  - Audio-visual equipment
  - Office furniture such as desks and filing cabinets
  - Major specialized equipment
  
2. *Controllable assets*, which are normally not included in the fixed asset inventory, include but are not restricted to:
  - Chairs (unless worth more than \$300)
  - Tables (unless worth more than \$300)
  
3. Assets normally excluded from this policy include:
  - Lamps
  - Magazines and books
  - Decorations
  - Lab Inventories

### Tagging Assets

4. Asset tagging is a crime prevention measure aimed at discouraging theft and facilitating the physical count process. The level of control is dependent upon the category to which the asset belongs.
  
5. Accountable assets must be tagged by the Office of the Assistant Director Finance and Administration. Tagging will facilitate asset control and safeguarding as well as the physical inventory process.
  
6. Refer to Appendix C for procedures for dealing with loss of Board property.

### Development and Maintenance of the Fixed Asset Inventory System

7. For the first year of application of these procedures (fiscal year 2010-2011), the Office of the Assistant Director Finance and Administration will list all accountable assets and all Department Heads will be forwarded a updated record, annually, for review and further updating. Measures will be taken to create an Electronic Capital Asset Inventory Management System, but for the interim, the Office of the Assistant Director in conjunction with Department Heads will ensure proper control and safeguarding of capital assets occurs.

8. Because accounting transactions do not provide all the information needed to ensure adequate control of the Board's capital assets, Department Heads will be responsible for verifying the accuracy of the following information, and updating if necessary:
  - MTIE Tag
  - Building and room number where the asset is located
  - Operating condition
  - Disposal through theft or misplacement
  - Donated date for any donated assets
  - Item Description for any donated assets
  - Serial number of donated assets
  
9. A schedule will be established by the Office of the Assistant Director – Finance and Administration to ensure that each Department Head will have the appropriate time to complete the inventory. A certain amount of time will be allotted to each department to take the physical inventory based on the size and the complexity of the inventory it holds. The Board's overall physical count should be completed within one month and will take place annually.
  
10. Department Heads will be required to reconcile and explain major discrepancies between Board records and the physical count results.

## APPENDIX C

### DISPOSAL OF CAPITAL ASSETS

#### Disposal of Assets

1. Accountable assets, as defined in Appendix B, are disposed of for various reasons. They may be obsolete or fully depreciated and should be removed from the fixed asset inventory list. Other times, the asset may no longer be useful for one department or classroom, but may be transferred or stocked away for some other use.
2. The same transaction authority used to purchase the asset must be used when disposing of it. Please refer to the Purchasing Policy. Remember to remove all tags and official Board indicia before disposal.
3. Due to the potential sensitivity of transactions involving gifts-in-kind, departments must contact the Office of Assistant Director Finance and Administration before disposing of any gift-in-kind.
4. Before the sale, donation or physical removal of capital assets, departments are encouraged to internally reallocate the asset.

#### Sale

5. If there is no internal interest in the asset, or the asset is determined to be obsolete, the Office of the Assistant Director – Finance and Administration will attempt to sell the asset.
6. When selling tagged equipment, the tag number must be included on the bill of sale.
7. Sales are completed through a For Sale by Tender process. The tender is posted in local and provincial newspapers and online. Bids are accepted by sealed envelope addressed to the Office of the Assistant Director Finance and Administration. Generally, the highest bidder succeeds in the tender.

#### Donation

8. If there is no internal interest in the capital asset or outside party interested in purchasing the asset, the Office of the Assistant Director Finance and Administration may arrange to donate the asset to a non-profit organization.

#### Off-Site Use

9. The same transaction authority used to purchase the asset must be used when authorizing the use of Board assets at other sites. This requirement applies to all assets, regardless of the source of the funds used for the acquisition. An *Acceptance of Responsibility for Board Property* form must be completed by employees using equipment off-site.



**Report of Stolen, Missing or Damaged Assets**

10. Any stolen, missing or damaged assets must be reported immediately by completing the *Loss of Assets Form*. A copy of this must be sent to the Office of the Assistant Director Finance and Administration on the day of the loss for any insurance claim and investigation purposes.