



**Waganakising Odawak  
Little Traverse Bay Band of Odawa Indians  
Accounting Department**

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**Policy and Procedures for Capital Asset Management and Disposition**

- I. **Introduction:** This policy establishes the Capital Asset Management and Disposition Policy and Procedures for the Little Traverse Bay Bands of Odawa Indians Tribal Government (LTBB). Sound policies and internal controls are necessary to:
  - A. Maintain accurate records, including the location and condition of all assets and other items considered of value.
  - B. Protect the assets of LTBB by reducing the risk of exposure to fraud, loss, theft and misappropriation of funds.
  - C. Ensure LTBB puts forth a good faith effort to track assets or items considered of value, and to ensure said items are kept secure and in good working order by the Departments responsible for asset stewardship.
  - D. Ensure assets are used solely for authorized purposes, are used safely and properly and that appropriate insurance coverage is in place when required.
  - E. Ensure adherence to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB); regulations as outlined in the *Code of Federal Regulations, Title 2; Subtitle A Chapter 2 Part 200 OMB Uniform Guidance: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR 200)*; the LTBB Administrative Procedures Statute and any other applicable Federal, Tribal or Granting Agency rules, regulations and procedures.
  
- II. **Definitions:**
  - A. Allowable Costs: Costs that are necessary, reasonable, allocable to a fund, permitted under a program, and are adequately documented.
  - B. Capital Asset: For the purposes of this document, property with a cost of \$5,000 or more and having a probable useful life of more than year. This may include moveable assets and fixed assets that are permanently attached to a building or the ground. Also referred to as fixed assets.
  - C. Capital Asset Cost: Purchase cost of the item plus all amounts spent to receive and put in place for use. This includes, but is not limited to, shipping, transit insurance, handling fees, taxes, installation costs, inspections fees, permits, and any necessary repairs, reconditioning and improvements to purchases of used Capital Assets.
  - D. Book Value: The Capital Asset Cost, as defined above, less any recorded depreciation, amortization or impairment amounts.
  - E. Fair Market Value: The price property would sell for on the open market, as agreed upon between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts.
  - F. Depreciation: Tracking the cost of an asset as an expense over time, on a predetermined schedule, for the purpose of allocating the value of the item over its useful life.

- G. Capitalization: For the purposes of this document, the process of recording an item as a Capital Asset, with the item having a cost of \$5,000 or more and having a probable useful life of more than one year into official accounting and fixed asset records, and depreciating the asset over a set term.
  - H. Useful Life: The estimated lifespan of a Capital Asset, during which it can be expected to efficiently contribute to LTBB operations.
  - I. Buildings: All structures used for operating purposes and includes all fixtures, machinery and other components that are attached to the structure and cannot be removed without damaging the structure. Buildings may be acquired or constructed. The cost of a building is any purchase price, if applicable, any costs to create the structure, if applicable, and any cost to make the structure usable for the purpose for which it was acquired or constructed.
  - J. Infrastructure: Improvements to land that are not related to a building. Includes, but is not limited to items such as streets, street lighting, roads, sidewalks, curbs, utility distribution systems and docks.
  - K. Personal Property: All items other than Real Property. Items may be tangible, having physical existence, or intangible, lacking physical existence.
  - L. Real Property: Land that may or may not be developed and ready for use. All costs incurred in acquiring land, such as the purchase price, legal fees, recording fees, soil tests and surveys are considered part of the cost of the land. Costs incurred in getting the land ready for use, such as lot clearing, soil upgrades and other site preparation costs are also considered part of the cost of the land. Generally real property is not depreciated.
  - M. Land Improvements: Items such as driveways, parking lots, fencing, gates, light systems and irrigation systems. These items are treated separate from land and are depreciated over their estimated useful life. Land Improvements may be referred to as fixtures.
  - N. Intangible Assets: Personal property items lacking physical existence, but offering unique value to the organization, while remaining difficult to price. Includes but is not limited to patents, trademarks, and copyrights.
  - O. Supplies: All tangible personal property not otherwise capitalized. Including but not limited to office supplies, program materials, and equipment costing less than \$5,000.
  - P. Heritage Assets: Items costing \$5,000 or more, but are unique due to their historical or cultural significance, are not used to carry out government services and are expected to be preserved indefinitely. Costs for these items are recognized in the period the cost is incurred and are not capitalized.
- III. **Applicability:** This policy is applicable to all Branches, Divisions and Departments of the Little Traverse Bay Band of Odawa Indians Tribal Government and government-run Enterprises, referred to as LTBB in this document. This document summarizes the Asset Management and Disposition Policies and Procedures, which must be following in conjunction with LTBB Purchasing Policy and, if applicable LTBB Contracting Policy and LTBB Capital Asset Construction Management Policy.
- IV. **Consistency:** To maintain consistency in standards for effective controls and accountability as required in 2 *CFR* 200, this Capital Asset Management and Disposition Policy and Procedures will apply for all assets procured, constructed or otherwise received by LTBB regardless of funding source.

- V. **Policy:** It is the policy of LTBB to procure capital assets fairly and competitively; to accurately record and track assets; to inventory such capital assets no less often than biennially; and to dispose of all capital assets properly and in the most cost effective, efficient and environmentally responsible manner while following any tribal and funding agency regulations, including getting agency approval when needed. It is the policy of LTBB to follow Generally Accepted Accounting Principles as promulgated by GASB, when recording all Capital Assets.
- A. **Acquiring Capital Assets:** Capital Assets may only be acquired by following the LTBB Purchasing Policy standards and, if applicable, the LTBB Contracting Policy or LTBB Capital Asset Construction Management Policy standards. All funding agency requirements for procurement must be followed. LTBB Policy requires competitive procurement according to the standards listed in the LTBB Purchasing Policy. Capital Assets procured generally require approval of the persons having authority over the affected branch or division, or designee.
1. The Capitalization threshold for LTBB is \$5,000 per item.
  2. Capital Assets are depreciated per the Government Accounting Standards Board (GASB) Standards and Internal Revenue Service (IRS) regulations using Straight Line Depreciation.
  3. Constructed Capital Assets are tracked as Construction in Progress (CIP) in the Fixed Assets System during their assembly phase and are not depreciated until the building is fully completed, furnished and ready for occupancy or usage. Once the asset is placed in service and capitalized cost is verified, the asset is transferred from CIP to a Capital Asset category and associated depreciation will begin. The capitalized cost of a constructed asset includes, but is not limited to, all costs for structural and affixed materials, construction labor (including labor for construction supervision), engineer and design costs, permits, fees, and inspections.
  4. Procured Capital Assets will be recorded in the Fixed Asset System at their total cost, as defined above, which includes any shipping costs, permits, inspection fees, set up fees, delivery fees, taxes and applicable accessories. The date in service will be recorded as the date the item is received or ready and available for use.
  5. Accessory equipment is any item considered necessary for appropriate use of the parent capital item and intended to be procured at the time the parent item is procured. If the accessory costs less than \$5,000, but the parent item and accessory together cost \$5,000 or more, the item shall be capitalized. Such accessories are recorded in the Fixed Asset Schedule and are tracked and depreciated with the parent item. Accessories that are purchased with the intent of using them interchangeably with two or more items will be treated and tracked as separate pieces of equipment.
- B. **Safeguarding Capital Assets:** Department directors have stewardship of Capital Assets and other items of value purchased under their programs. They are responsible for preventing loss, damage and theft of items by developing and following maintenance procedures, securing assets while stored, ensuring proper use, and utilizing safe operational practices. Federal regulations require sharing of assets across Federally-funded programs when sharing does not interfere with the program needs for which it was originally acquired. Directors are responsible for coordinating needs with other Departments.
- C. **Tracking Capital Assets:** Capital Assets must be recorded into a database upon receipt by LTBB. Said database is to be maintained by the LTBB Accounting Department, with all pertinent information, including but not limited to the following:

acquisition date; department responsible for stewardship; location; description of the item including a serial number; funding source, designated use and Federal award numbers if applicable; cost; property condition; and disposition information. This data base, along with a Fixed Asset Schedule, which shows depreciation allocations, is the official Capital Asset Management System (CAMS) of LTBB. Capital Assets will be tagged unless the surface of the asset makes the adherence of a physical tag impossible. Accounting also tags select items valued at less than \$5,000 for tracking purposes based on their intrinsic value to LTBB. Tagging and tracking of such items does not make them a Capital Asset.

- D. Auditing Capital Assets: Capital Assets must be physically inventoried by the Accounting Department on a scheduled basis no less often than biennially, and may be inventoried on an unscheduled basis more often as deemed necessary by the Accounting Department. The inventory shall record the condition of the asset. Any discrepancies will be reported or investigated as necessary.
- E. Transferring Capital Assets: If a program was funded with Federal funds that have terminated and the department continues the program under an alternate revenue source, the assets of the program purchased with the Federal revenue may remain with the program.
- F. Capital Asset Disposal: Capital Assets retired from service and with no useful life left on record shall be disposed of in the most efficient and cost effective manner possible, while remaining environmentally responsible and adhering to all necessary Tribal, Federal and Granting Agency laws, rules, regulations and procedures. Disposal of Intangible Capital Assets and Buildings or Land Improvements requires Tribal Council approval. Disposal of Real Property requires Tribal Council approval in accordance with Constitutional requirements. Per WOS 2012-015, all tangible property, which includes Capital Assets, shall first be offered to governmental departments and enterprises before disposal by other methods. The Accounting Department shall oversee the disposal process, shall ensure adherence to any requirements as listed above and shall determine if an asset has any remaining book value or restrictions on disposal. Items that have been determined available for disposal will follow the Capital Asset Disposal Procedures as maintained by the Accounting Department.
- G. Supplies Disposal:
  - 1. Supplies with an aggregate fair market value exceeding \$5,000, purchased under a federally funded program, should first be offered to other programs utilizing federal funds prior to disposal, per 2 CFR 200. If items cannot be utilized in a federally funded program, they may be utilized in other tribal programs or sold, but the federal government may require compensation per 2 CFR 200.
  - 2. Supplies purchased under general funds may be disposed of in the most economic, efficient and environmentally method feasible, as determined by the Department Director and person having oversight of the branch or division. Per WOS 2012-015, all tangible property, which includes supplies, shall first be offered to governmental departments and enterprises before disposal by other methods.

## VI. **Procedures:**

- A. Acquiring Capital Assets:
  - 1. Capital Asset acquisition must follow the LTBB Purchasing Policy and if applicable the LTBB Contracting Policy and or the LTBB Capital Asset Construction Management Policy. This will ensure adherence to departmental

budget restrictions and competitive procurement and funding agency requirements. The total cost of acquiring the asset and getting it ready for use will be recorded as the cost of the Capital Asset.

2. Procured Capital Assets must be delivered to the LTBB Accounting Department whenever possible, where the item will be cataloged for receipt, entered into the Capital Asset Management System (CAMS) and tagged if appropriate. Items that cannot be delivered to LTBB Accounting due to feasibility may be delivered elsewhere. Departments directly receiving such assets must notify Accounting immediately upon arrival of the asset so an Accounting staff member can go on-site to record and tag the asset.

**B. Tracking Capital Assets:**

**1. Recording Capital Assets:**

- a. Newly purchased or finalized constructed Capital Assets are entered by the person within the Accounting Department assigned with tracking fixed assets into an asset tracking and tagging software and into the Fixed Assets Schedule; these two items together make up the official LTBB Capital Asset Management System (CAMS). Items are also entered into the Accounting software (Abila) as a fixed asset. While items are under construction the costs are tracked in CIP in the Fixed Assets Schedule and are recorded in Abila when a cost is incurred.
- b. LTBB currently uses WASP as its Capital Asset tracking and tagging software. Capital Asset descriptions, manufacturer, model, serial numbers, current condition, photographs, department, location, and any other relevant notes about the Capital Asset are all recorded in WASP. Information on cost, funding source, Federal Award Numbers and percentage paid by funding agency as applicable, date acquired, date placed in service, depreciation allocations and current book value are recorded in the Fixed Assets Schedule. If applicable disposition data is recorded here as well.
- c. Tagging occurs as a Capital Asset is recorded in WASP and a bar code label is created. The label is adhered to the item if possible. Accounting also tags select items valued at less than \$5,000 for tracking purposes based on their value to LTBB. Tagging and tracking of such items does not make them a Capital Asset. These items include, but are not limited to electronics such as cameras, printers, laptops, and personal computers; mobile storage units such as stand-alone shelving, files cabinets and bookshelves; and other select items perceived as having value based on data contained within, or because it is considered high risk due to its desirability.
- d. Vehicles owned by LTBB are required to have mileage logs, tracking all miles driven and the purpose of the trip. Logs should be submitted to Accounting at the end of each month.

2. Depreciating Assets: LTBB follows a straight-line method of depreciation, using the IRS guidelines for qualified property on an Indian Reservation, as listed in Publication 946 for the year it was placed in service. Heritage assets are not depreciated. The following lists is the most current useful life in years for common asset types:

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| a. Computers, servers or printers        | 3 years |
| b. Audio, Visual or Multimedia equipment | 4 years |
| c. Copiers                               | 3 years |
| d. Office equipment other than copiers   | 6 years |

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| e. Automobiles                                   | 3 years  |
| f. Buses and Shuttles                            | 4 years  |
| g. Boats   | 6 years  |
| h. Security Equipment                            | 6 years  |
| i. Food Service Equipment                        | 6 years  |
| j. Land Improvements                             | 12 years |
| k. Infrastructures-Roads, driveways, sewers      | 12 years |
| l. Infrastructures – Networks                    | 9 years  |
| m. Site preparation & Building structures        | 22 years |
| n. Floor Covers                                  | 6 years  |
| o. Roof covers                                   | 12 years |
| p. Elevators                                     | 22 years |
| q. Life Safety (sprinklers, alarms)              | 12 years |
| r. Electrical, HVAC & Plumbing upgrades          | 12 years |
| s. Unoccupied structures (sheds, barns, gazebos) | 12 years |
- C. Auditing Capital Assets: Accounting staff will perform and record a physical inventory of all active Capital Assets no less than biennially, but more often as deemed necessary.
1. During each inventory Accounting must confirm the location of the item, check the asset tag and if applicable a serial number for accuracy, and record the condition of the item.
  2. If items are found to be in an unacceptable condition the Department Director, and if applicable, their supervisor, will be notified in writing by Accounting. Appropriate action will be determined once the situation is fully assessed.
- D. Capital Asset Disposal: When a department wishes to dispose of a Capital Asset in their program they should contact Accounting via email or with a memo, stating the specifics of the item, including the tag number. Disposal of Intangible Capital Assets, Real Property, Buildings or Land Improvements requires Tribal Council approval. Disposal of other Capital Assets and Supplies requires Departmental Director approval. Accounting shall follow the Capital Asset Disposal Procedures listed below:
1. Accounting will determine if the item has any funding agency disposal restrictions for items purchased with federal, state or private funds. All funding agency disposal instructions must be followed. If instructions do not dictate the full disposal procedure, LTBB procedures will apply as allowable, but may never override funding agency restrictions.
  2. Accounting will determine if the item has a book value and a fair market value.
  3. Capital Assets should first be offered to other LTBB Departments or organizations, in the following order of preference, at no transfer cost to the department:
    - a. LTBB Programs funded by the same agency the item was purchased under.
    - b. LTBB Programs funded by other granting agencies or cost recovery pools.
    - c. LTBB Programs funded solely by general fund dollars.
    - d. LTBB Enterprises and Component Units
  4. The Tribal Chairperson's Office will maintain a list of Departments requesting vehicles. When vehicles are available for transfer, additional preference will be given to those Departments on the list, while remaining within the guidelines listed above.
  5. If offered items are not claimed, disposition procedures may commence:

- a. Competitive Bidding: Minimum bids should be set at the amount equal to the amount LTBB could recover by trading-in the asset, selling on the open market or selling the asset to a scrapper.
- b. Items are first to be offered for bid within the LTBB Community. Non-citizens may participate in bidding.
- c. If bids meeting minimums are not received then the item may be offered for public bid. If bids are not received after a reasonable posting period LTBB may dispose of the asset through scrap, trade-in, or any method that may yield a return. If there is no method that yields a return assets will be disposed of in the manner most cost-effective and environmentally responsible.
- d. Any Capital Asset approved for disposition with a book value over \$10,000 must be disposed of via competitive bidding.
- e. Any Capital Asset approved for disposition with a book value between \$1 and \$9,999 may be disposed of via competitive bidding when feasible, based on the state of the asset, potential disposition costs and the current market.
- f. Assets for disposition with no book value may be disposed of via competitive bidding when feasible, based on the state of the asset, potential disposition costs and the current market.

VII. **Conflicts of Interest:** When processing payments for assets, conducting asset inventory, entering asset data, or disposing of surplus, no employee may participate in the process if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, any member of his or her immediate family, his or her partner or an organization that employs any of the above has a financial or other interest, or could appear to receive a tangible personal benefit from the transaction. If a real or perceived conflict of interest is apparent that may impact a Federal grant, the employee must notify the Grants Office and the Grant Writer shall immediately notify the Federal funding agency that would be impacted by the conflict of interest and request written approval to proceed with the activity in question. Failure to adhere to this conflict of interest policy may result in disciplinary action per the employee handbook. Potential conflicts of interest shall be disclosed to funding agencies when required.

VIII. **Internal Control Standards:** To comply with 2 CFR 200.303, Internal Controls, LTBB follows the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by COSO. This document lists five standards of Internal Control: Control Environment, Risk Assessment, Control Activities, Information and Communications, and Monitoring. To ensure compliance with the Risk Assessment Standard and the related continual changes in regulatory and operating conditions, the Chief Financial Officer will review this policy no less than annually and update as needed.