POLICY CONCEPT FORM

Name and UO Title/Affiliation:	Cheyenne Dickenson, Property Control Inventory Specialist, Business Affairs
Policy Title & # (if applicable):	University Fiscal Policy IV.04.05 (Fixed Assets Administration only)
Submitted on Behalf Of:	Brett Giles, Assistant Director Financial Services and Property Control Manager, Business Affairs
Responsible Executive Officer:	Kelly Wolf, Associate Vice President, Business Affairs

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SELECT ONE: ☐ **New Policy** ☒ **Revision** ☐ **Repeal**

Click the box to select

HAS THE OFFICE OF GENERAL COUNSEL REVIEWED THIS CONCEPT: ☒ **Yes** ☐ **No**

If yes, which attorney(s): Ryan Hagemann

GENERAL SUBJECT MATTER

Include the policy name and number of any existing policies associated with this concept.

Related: Equipment

RELATED STATUTES, REGULATIONS, POLICIES, ETC.

List known statutes, regulations, policies (including unit level policies), or similar related to or impacted by the concept. Include hyperlinks where possible, excerpts when practical (e.g. a short statute), or attachments if necessary. Examples: statute that negates the need for or requires updates to an existing policy; unit level policy(ies) proposed for University-wide enactment; or existing policies used in a new, merged and updated policy.

GASB Statement 87: Leases
GASB Statement 96: Subscription-Based Information Technology Arrangements
UO Lease Accounting procedures
UO Property Control equipment acquisition procedures

STATEMENT OF NEED

What does this concept accomplish and why is it necessary?

GASB Statements 87 and 96 were released in the past two years, which had an impact on fixed asset fiscal policy, specifically accounting procedures for right-to-use (leased) assets including software subscriptions. The requirements of these statements have been enacted, and a new section has been added to our policy statement on the subject. Some other minor changes to the existing text were made as corrections or for clarity/brevity.

AFFECTED PARTIES

Who is impacted by this change, and how?

Departments on campus that lease equipment or have software contracts have been impacted by these GASB changes and have already incorporated the required accounting procedures.

CONSULTED STAKEHOLDERS

Which offices/departments have reviewed your concept and are they confirmed as supportive? (Please do not provide a list of every individual consulted. Remain focused on stakeholders (e.g. ASUO, Office of the Provost, Registrar, Title IX Coordinator, etc.).)

Name	Office	Date
Jill Ritz, Phil Davis	**Finance and Accounting, Business Affairs**	**4/2023**
Elise Landry	**Sponsored Project Services**	**10/2023**

Reason for Policy

This Policy provides broad guidelines related to university business operations. Along with supporting procedures, the Policy defines the university business entity, establishes an accounting and reporting framework, and sets restrictions and limits on certain university financial transactions.

Entities Affected by this Policy

Departmental budget authorities, staff who process financial transactions, and central business offices.

Web Site Address for this Policy

https://policies.uoregon.edu/vol-4-finance-administration-infrastructure/ch-4-business-affairs/university-fiscal-policy

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Responsible Office

For questions about this policy, please contact the Business Affairs Office at (541) 346-3165 or kbwolf@uoregon.edu.

Enactment & Revision History

15 December 2023 – Policy Revised

23 July 2018 - Enacted by the university president

Policy

1. Accounting and Financial Reporting
    a. Reporting Entity
        i. For purposes of the audited financial statements, the reporting entity consists of the legal entity of the University of Oregon (university) and the legally-separate University of Oregon Foundation.
        ii. Organizations that are not financially accountable to the university, such as booster and alumni organizations, are not included in the reporting entity.
    b. Financial Accounting & Reporting Standards

    i. The university's annual financial statements follow the fiscal year July 1- June 30.
    ii. The university's financial accounting records are maintained in accordance with US Generally Accepted Accounting Principles (GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB).
    iii. The university follows the cost principles required by Office of Management & Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
  c. Basis of Accounting
    i. For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities.
    ii. The university's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

2. Fixed Assets Administration
  a. Accounting for Fixed Assets – General
    i. Definitions
      1. Fixed assets: Tangible assets that last more than one year. Examples include land, buildings, equipment, vehicles, vessels, etc.
      2. Capital assets: Fixed assets that are recorded as assets in the UO General Ledger. Capital assets are not expensed in year of purchase, but are capitalized and depreciated or amortized (as appropriate) over multiple years.
    ii. A fixed asset is capitalized only if it meets all of the following conditions:
      1. Owned or considered owned by the university.
      2. Held for operations (not resale).
      3. Has a useful life that exceeds one year.
      4. Meets the capitalization threshold for that asset type~~ as described in the current accounting procedures document~~.
    iii. Donations of capital assets are recorded in the accounting records as revenue at fair market value (FMV) at date of receipt and capitalized in the accounting records. FMV may be determined by:
      1. A written appraisal,
      2. A qualified expert on the faculty or staff if he or she is considered to hold special knowledge or expertise related to the property being donated,
      3. Documentation obtained from a qualified outside source such as "blue book" or a knowledgeable dealer, or
      4. Documented cost if the university were to purchase the same asset outright from a vendor.

   iv. The university uses straight-line depreciation with zero (0) salvage value, and useful lives that vary depending on the type of asset.
   v. When capital assets wear out or become obsolete, they are ~~sold, scrapped, traded in, or may be returned at the end of a capital lease. When disposing of capital assets, the university follows all appropriate Surplus Property rules~~ to follow the UO policy on equipment disposals.

b. Accounting for Fixed Assets – University Libraries
   i. Definitions
      1. General Collections: Library holdings of an institutional library (not departmental reference library) that are exhaustible by nature and have a useful life greater than one year. General collections include general books, periodicals, reference materials, microfilm, maps, manuscripts, etc.
      2. Special Collections: Library holdings of an institutional library (not departmental reference library) normally considered inexhaustible and accounted for like works of art and historical treasures. They are not easily replaced and meet the following conditions:
         a. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
         b. Protected, kept unencumbered, cared for, and preserved.
   ii. Additions to both General and Special Collections are comprised of purchases and donations. Purchases are valued at cost at time of acquisition. Donations are valued at FMV at time of ~~donation~~receipt. The FMV of donated additions is recognized as revenue in the year of donation.
   iii. Deductions from both General and Special Collections are valued at historical cost of items withdrawn from the collections, including associated depreciation (if applicable).

c. Building Component Depreciation
   i. The university may componentize some or all academic and research buildings to more accurately measure the annual depreciation. Componentized depreciation is based on the useful life of each component.
   ii. Componentized depreciation may only be applied prospectively based on componentizing new buildings and/or applying componentization on the undepreciated portion of existing buildings.
   iii. Componentized depreciation is limited to buildings. Componentized depreciation does not apply to non-building real property (such as improvements other than buildings, infrastructure, land, and land improvements), or to personal property.

d. Intangible Assets
   i. Characteristics of Intangible Assets

1. Owned or considered owned by the university
2. Lacks physical substance
3. Non-financial in nature (i.e., not in monetary form similar to cash and investment securities)
4. Used primarily for operations and not used to directly obtain income or profit. Assets utilized to obtain income or profit are categorized as investments.
5. Separately identifiable
6. Supported by a formal agreement

ii. Examples of Intangible Assets
1. Computer Software: The ownership of, or right to use, computer programs that control the functioning of computer hardware and other devices. Computer software comprises both operating systems and application programs. Computer software is either created by another party and acquired by the university, or created internally within the university.
2. Easement/Right of Way: The right to use the land of another party for a particular purpose.
3. Water Rights: The right to draw water from a particular source, such as a lake, irrigation canal, or stream.
4. Timber Rights: The right to cut and remove trees from the property of another party.
5. Patent: The right to exclude others from making, using, offering for sale, selling or importing an invention. Patents are issued by the U.S. Patent and Trademark Office.
6. Copyright: A form of protection provided to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. Copyrights are registered by the Copyright Office of the Library of Congress.
7. Trademark: A word, name, symbol or device which is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. Trademarks used in interstate or foreign commerce may be registered with the Patent and Trademark Office.

iii. Intangible assets can be purchased or licensed (which includes acquisition through an installment contract), acquired through nonexchange transactions, or internally generated.

iv. Capitalizable costs that (1) meet the characteristics in Section 2(d)(i) and (2) meet or exceed the capitalization threshold for that asset type ~~as described in~~

~~the current accounting procedures document~~ are recorded (capitalized) as an intangible asset in the university's accounting records.

v. Donations of intangible assets are recorded in the accounting records as revenue at FMV at date of receipt~~,~~ and capitalized in the accounting records. Provisions of Section 2(a)(iii) apply to intangible assets.

vi. Amortization of Intangible Assets

1. An intangible asset has an indefinite useful life and is not amortized if there are no legal, contractual, regulatory, technological, or other factors that limit its useful life.
2. An intangible asset is amortized if there are legal, contractual, regulatory, technological, or other factors that limit its useful life. Useful life may vary among intangible assets depending on the factors attributable to each intangible asset. The recorded useful life is the shorter of the intangible asset's technological life versus its legal/contractual/regulatory life.
3. The university uses straight-line amortization with zero salvage value.

e. Right-to-Use Assets

i. Right-to-use assets are accounted for in accordance with GASB Statements 87 and 96 which state that leases are financings of the right-to-use an underlying asset and software subscriptions are financings of the right-to-use a subscription asset.

ii. There are three types of agreements, wherein the accounting is dependent on the type of agreement and its underlying asset:

1. Short-term: maximum possible term of 12 months or less including options to extend regardless of probability of extending, includes month-to-month agreements
2. Contracts that transfer ownership: if ownership transfers to the lessee, contract should be recorded as a financed sale/purchase under GASB 87. For GASB 96, perpetual software licenses are either expensed or accounted for as an intangible asset if it meets the applicable capitalization threshold.
3. All others: Any agreement that doesn't qualify as a short-term lease or ownership transfer will be accounted for in accordance with GASB 87 or 96 depending on the underlying right-to-use asset.

3. Procurement

a. Purchasing and Accounts Payable

i. Expenses paid with university funds must meet a general business need and/or foster or support the mission of the university.

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1. University funds are defined as all monies available to the university, excluding Agency Funds and monies maintained at the University of Oregon Foundation
2. Expenses charged to Restricted Funds, including Restricted Gifts, must meet the restrictions that were placed on those monies by the donor(s) and are subject to the University Fiscal Policy and associated procedures
3. Expenses paid directly from the University of Oregon Foundation are subject to the Foundation's policies and processes (including donor intent)

ii. Except for items otherwise noted, the dean, director, department and/or unit head have programmatic and budgetary authority to authorize expenses. Programmatic and/or budgetary authority may be delegated to other qualified employees, provided such delegation does not circumvent a financial control or create a conflict of interest.

iii. Certain reimbursements to faculty, staff, or students may have income tax implications. The recipient is ultimately responsible for his/her tax filing and any resulting tax liability.

iv. The following purchases are specifically prohibited/limited:

1. Alcoholic Beverages – Use of university funds for purchasing alcoholic beverages is limited to:
    a. Alcoholic beverages served at group functions that are part of a university-sponsored conference or event where the full cost of such beverages is recovered through resale or charges to the participants or sponsoring group.
    b. Alcoholic beverages purchased specifically for resale (i.e., university catering, athletics concessions)
2. Contributions/Donations – The University has no authority or obligation to make disbursements for voluntary contributions or donations.
3. Sanctioned individuals, companies, or countries – Unless otherwise permitted by law, the university may not conduct business with any individuals, companies, or countries who appear on the sanctions list of the U.S. Department of the Treasury, Office of Foreign Assets Control

v. Additional guidance regarding specific transactions is available on the Business Affairs website

b. Contractor Travel

1. Contractors may be reimbursed for expenses incurred while traveling on official university business as permitted by their contract with the university.
2. Except as otherwise defined in the individual contract, contractor reimbursements are subject to the university Travel Policy (IV.04.02)

4. Human Resources, Payroll, and Fringe Benefits
    a. Moving Expenses
        i. New university employees may be reimbursed for travel and moving/relocation expenses as approved by the hiring authority.
        ii. Certain travel and moving/relocation reimbursements may have income tax implications. The recipient is ultimately responsible for his/her tax filing and any resulting tax liability.
        iii. See [procedures] for additional information.
    b. Vehicles
        i. A university employee's personal use of an employer-provided vehicle is a taxable fringe benefit to the employee.
        ii. The university uses the General Valuation method to determine the taxable value of the benefit.
    c. Employee Recognition Awards
        i. Definitions
            1. <u>Performance awards:</u> Cash or non-cash awards that recognize and promote extraordinary employee and/or team achievements to reward and reinforce desired, demonstrated behavior, achievement, and results. Performance awards do not include defined merit pay programs that may be a part of bargaining unit compensation plans or other employee compensation plans, or salary performance incentives that may be included in individual employment contracts.
            2. <u>Service awards:</u> Cash or non-cash awards to honor length of service or retirement.
        ii. Performance Awards
            1. Cash or cash-equivalent (i.e., gift cards, gifts certificates) performance awards in excess of $50 will be reported as taxable income to the recipient.
            2. Non-cash performance awards in excess of $50 in value will be reported as taxable income to the recipient
            3. Notwithstanding the above, non-cash performance awards for safety achievement in excess of $400 in value will be reported as taxable income to the recipient
            4. Taxability applies even if the cash, cash-equivalent, or non-cash award are provided directly from University of Oregon Foundation funds
        iii. Service Awards
            1. Cash or cash-equivalent (i.e., gift cards, gifts certificates) service awards in excess of $50 will be reported as taxable income to the recipient

2. Non-cash service awards in excess of $50 in value will be reported as taxable income to the recipient
3. Notwithstanding the above, non-cash service awards for length of service in excess of $400 in value will be reported as taxable income to the recipient
4. Taxability applies even if the cash, cash-equivalent, or non-cash award are provided directly from University of Oregon Foundation funds

d. Employee Fringe Benefits
   i. A fringe benefit, generally speaking, is any benefit that is provided to an employee by their employer other than salary or wages. Unless they are exempted in the Internal Revenue Code (IRC), fringe benefits are reported as included in an employee's gross income. When included in gross income, they are processed through the payroll and are subject to income tax and FICA tax withholdings.
   ii. The IRC describes categories of benefits that may qualify for exclusion from the employee's taxable income provided their restrictive criteria are met, including (but not limited to):
      1. No-additional-cost service
      2. Qualified employee discount
      3. Working condition fringe
      4. De minimis fringe
   iii. All fringe benefits that are reported as included in an employee's taxable income will be processed through the payroll system subject to withholding for taxes and retirement plan contributions (as applicable).

Related Resources

Business Expense Guidelines

Procurement Card Program

Fiscal Policy Manual

Departmental Fiscal Procedures