University of Guam
Capital and Non-Capital Asset Policy

INTRODUCTION

The University of Guam (UOG) is committed to safeguarding and identifying all assets (capital and non-capital) belonging to, having title to, or in the custody of, the University of Guam. Responsibility for other assets rests with UOG to the extent that it has explicitly agreed to accept responsibility under a contractual arrangement. The ownership of certain assets purchased by UOG may be determined by a granting agency upon completion of the research project. When assets are acquired, the University will identify, safeguard, track and record them in an equitable manner that maximizes the useful life of the asset.

PURPOSE

The purpose of this policy is to:

- Clarify the assets to which this policy applies,
- Clarify responsibility and safeguarding measures for all assets,
- Clarify the treatment and responsibility for the disposal or redeployment of assets, Determine which assets are to be capitalized in accordance with generally accepted accounting principles,
- Determine the appropriate valuation of the capitalized asset,
- Provide the appropriate period of amortization of that capitalized asset over its estimated useful life, and
- Provide a basis for insurance coverage and the external reporting of capitalized costs.

SCOPE

This policy applies to all UOG departments and related organizations and includes, but is not limited to, the following assets: land, buildings, building improvements, services and landscaping, teaching, research and academic support and administrative equipment (scientific, office, audio visual, fitness, maintenance and communication) and furnishings (furniture and fixtures), computers, software, vehicles, library books and periodicals that are charged or recorded to any operating, trust, endowment, research, minor or major capital general ledger account.

UOG is responsible under research grants, contracts and agreements for the custody of the equipment purchased from the funds provided. Unless otherwise specified by a granting agency, all equipment is considered to be UOG property. The ownership of certain assets purchased by UOG may be determined by a granting agency upon completion of the research project.

All assets purchased through professional allowances, including computers and software, are the property of the University, even when located off campus, and are included in this policy, unless otherwise specified in an individual’s employment contract. While the asset is located off-campus, the person using it assumes full responsibility for the care and custody of the asset and may be responsible for any loss or damage due to willful negligence.

POLICY

Responsibilities

1. It is the responsibility of UOG to take appropriate and reasonable measures to identify, safeguard, track and record all capital and non-capital assets.

2. The Financial and Administrative Services department is responsible for the implementation of this policy, advising on the appropriateness of a capital or non-capital asset for generally accepted accounting purposes and for educating and training on all other matters relating to this document and related procedures.

3. Divisional and/or departmental unit heads are responsible for the implementation of this policy to the extent that they acquire and/or are in the custody of capital and non-capital assets. It is further the responsibility of the divisional and/or departmental unit head to share this document and related procedures with all unit personnel who are involved in the purchasing, identification, recording, care and custody of capital and non-capital assets.

4. All persons/departments having responsibility for the use and care of capital and non-capital assets are to ensure that reasonable safeguarding measures are in place at all locations where these assets reside to prevent damage to or the loss of such assets. When disposing of an asset the Surplus Asset Disposal Form is to be completed as required and in accordance with the Surplus Asset/Redeployment Disposal Policy.

5. The Financial and Administrative Services department will be responsible for recording in accordance with generally accepted accounting principles the addition of all capital assets, donated assets (including works of art), disposal, amortization and the grants and cash donations received to offset the costs of capital assets.

6. Financial and Administrative Services will be responsible for reviewing the tax implications in the acquisition, disposal and redeployment of capital and non-capital assets.

Capitalized Assets – Valuation

Capital versus Non-Capital Assets

7. An asset will be classified as a capital asset (capitalized under generally accepted accounting principles), if it is a non-consumable, tangible item, valued at a single amount greater than $5,000 and with a life expectancy of at least two years. Tangible items valued at single amounts less than $5,000 will be classified as a non-capital asset.

Purchased Assets

8. The capitalized cost of most purchased assets includes the purchase or acquisition price and related freight, installation, customs charges, taxes (net of rebates) and other direct costs of getting the asset into condition necessary for its intended use. Capital equipment purchased sometimes have add-on items that are not initially ordered as a single amount, but should still be included as part of the historical cost.

9. Other direct costs may include software if included with the physical capitalized equipment, and warranty costs for the first year only, if included in the acquisition price. Costs that will not be capitalized include training and maintenance unless these costs cannot be separated from the acquisition cost.

Constructed Assets

10. Capital assets that are constructed (e.g. buildings or constructed research equipment) are capitalized as work progresses and amortization commences when work is substantially performed and the building or other constructed asset is ready for occupancy or use. Construction costs include all direct costs associated with the project that are incurred during the period when planning for the construction begins and ends when the construction project is substantially performed. They also include any overhead costs directly attributable to the construction or development activity.

Grants and Cash Donations

11. Grants and cash donations received to help fund the costs of a capital asset do not reduce the cost of the asset. The amounts received will be recorded as deferred capital contributions and amortized into revenue on the same basis as the asset to which it relates.

Donated Assets

12. Donated or contributions of capital assets (except for works of art) are capitalized at the appraised fair market value at the date of contribution.

Works of Art

13. Artwork purchases are expenses as acquired. Works of art donated are recorded as revenue and expense, at the appraised fair market value, at the date of contribution. If the fair market value is not determinable, the contribution is recorded at a nominal amount.

Consumables

14. Tangible assets may be considered consumable goods as they are used in the daily operations of the University. These will not be considered capital assets even if they are purchased in bulk and consumables will last more than two years. They will be expensed or, if material, established as inventory and expensed as the inventory is used or consumed over time.

Building Improvements versus Repairs and Maintenance

15. Expenditures made to maintain an existing capital asset that restores the capital asset to working condition but does not extend the life of the capital asset will be considered repairs and maintenance expenditures. These may include such examples as, repairs to the roof, repainting of a building, or painting of interior offices.

16. The cost incurred to enhance the service potential of a capital asset is a building improvement. Service potential may be enhanced when there is an increase in the previously assessed service capacity, associated operating costs are lowered, the useful life is extended, or the quality of output is improved.

17. The cost incurred in the maintenance of the service potential of a capital asset is a repair, not a building improvement. If a cost has the attributes of both a repair and an improvement, the portion considered to be a building improvement is included in the cost of the capital asset.

Research Equipment

18. Unless otherwise specified by a granting agency, all research equipment is considered to be UOG property. The ownership of certain assets purchased by UOG may be determined by a granting agency upon completion of the research project. The equipment will remain under the direction of the researcher(s), acting on behalf of the University, and as directed by the granting agency until the research work is concluded. Following which it may become available for other permitted University research related purposes and redeployed as permitted by the granting agency and in accordance with the Surplus Asset/Redeployment Disposal Policy. If the research equipment is redeployed to general purposes, the Financial and Administrative Services department will determine if any repayment of previously exempt provincial taxes is required due to the change of use of the research equipment.

Amortization

19. Amortization or depreciation is an accounting cost allocation method of a capitalized asset over its useful life. It is not intended, at any time, to necessarily represent the fair or market value of a capital asset. Amortization is recorded for a full year in the year of acquisition for all capital assets except for constructed capital assets.

Amortization does not begin on constructed capital assets until work is substantially performed and the building or other constructed asset is ready for occupancy or use. Capital assets are placed into categories and amortized on a straight-line manner over the estimated useful lives and annual rates as follows:

Asset	Years	Rate
Land, site services & landscaping	n/a	n/a
Buildings	40	2.5%
Building improvements	10	10.0%
Furnishings (furniture and fixtures)	10	10.0%
Equipment	5	20.0%
Library books and periodicals	5	20.0%
Vehicles	3	33.3%

Safeguarding Measures

20. Care and custody of capital and non-capital assets rests with the UOG person (generally the Divisional custodian and/or Department head) providing the resources for the purchase of the assets and/or the person responsible for the physical area where the assets are located.

21. All persons/departments that use and care for capital and non-capital assets must ensure that reasonable safeguarding measures are in place at all locations where these assets reside to prevent damage to or the loss of such assets. In addition reasonable and appropriate measures are necessary to identify, track or tag the physical existence and location of all assets. Periodic verifications to the existence and condition of assets should be conducted. Any assets considered surplus or scrap should be removed or redeployed in accordance with the Surplus Asset/Redeployment Disposal Policy.

Disposal of Assets

22. Disposal of assets should be done in accordance with the Surplus Asset/Redeployment Disposal Policy. If the information is available the original cost and date of purchase should be noted on the Surplus Asset Disposal Form to enable the Financial and Administrative Services department to remove the asset from the general ledger account.