

CAPITALIZATION OF ASSETS

POLICY NUMBER: FIN-CAPASSETS

POLICY TYPE: ADMINISTRATIVE

RESPONSIBLE OFFICIAL TITLE: CHIEF FINANCIAL OFFICER

RESPONSIBLE OFFICE: OFFICE OF THE COMPTROLLER

EFFECTIVE DATE: UPON PRESIDENTIAL APPROVAL – 12/6/2019

NEXT REVIEW DATE: PRESIDENTIAL APPROVAL PLUS FOUR (4) YEARS – 12/6/2023

SUPERSEDES POLICY: FIXED ASSET CAPITALIZATION

BOARD OF REGENTS REPORTING (CHECK ONE):

☐ PRESIDENTIAL RECOMMENDATION (CONSENT AGENDA/VOTING ITEM)

☒ PRESIDENTIAL REPORT (INFORMATION ONLY)

I. POLICY STATEMENT

This policy applies to all capital assets owned by Northern Kentucky University and its affiliated corporations and establishes guidelines for capital asset accounting, valuation, and control. The purpose of this policy is to ensure stewardship of University assets, accurate financial reporting, and consistent compliance with generally accepted accounting principles.

Capital assets are recorded and reported in the following categories, with the capitalization amounts for each detailed in the explanations below:

- a) Land
- b) Land Improvements
- c) Buildings and Fixed Equipment
- d) Moveable Equipment (includes software)
- e) Library Books and Materials
- f) Museum and Art Collections
- g) Construction in Progress

a) Land

- Land is all non-expendable, real property regardless of value.
- Land will be recorded in the University's financial records at cost.
- Donations of land will be recorded at the fair market value at the time of donation.
- Capitalization will include all ancillary costs related to acquisition. Ancillary costs include legal and title fees, surveying fees, appraisal costs, negotiation fees, and demolition of unwanted structures and other expenditures incurred to prepare the land for use.
- If land and building are acquired as a single parcel, the value of each will be determined and recorded separately.

b) Land Improvements

- Land improvements are enhancements (other than buildings) to land having a value of \$5,000 or more. Examples of such improvements include fencing, sidewalks, roadways, retaining walls, and lighting.
- Land improvements will be recorded at cost at the time of acquisition or fair market value at the time of donation.
- Land improvements generally have a useful life between 10 and 40 years.

c) Buildings and Fixed Equipment

- Buildings are defined as any permanently roofed structure having a value of \$5,000 or more and include all fixtures and equipment attached to that structure.
- Buildings will be recorded at cost at the time of acquisition or fair market value at the time of donation.
- Buildings will be divided into major components of the structure including structural shell, water/sewer service, electrical service and roof.
- Each component has a specific useful life. Building components have useful lives ranging from 10 to 40 years.
- Renovations to buildings will be capitalized at the cost of the increased value to the building if the total cost of the renovation is \$50,000 or greater.
- Renovation costs are depreciated separately over a useful life of 40 years.
- Renovation costs not meeting the \$50,000 threshold will be expensed.
- Repairs and maintenance costs are also expensed.

d) Moveable Equipment

- Moveable equipment is defined as equipment that does not lose its identity through incorporation into a more complex unit with a useful life greater than one year.
- Moveable equipment will be recorded at cost at the time of acquisition or fair market value at the time of donation. Cost of moveable equipment includes all delivery, freight, and labor costs to place the equipment in operation.
- Moveable equipment with a cost or value of between \$2,500 and \$4,999 is tagged with NKU property tags and inventoried for insurance and stewardship purposes, but not capitalized.
- High-risk items under \$2,500 will be inventoried for insurance and stewardship purposes as deemed appropriate by the University.
- Moveable equipment with a cost or value of \$5,000 or more is tagged with NKU property tags, inventoried and capitalized.
- Capitalized moveable equipment has a useful live between 3 and 10 years.
- Moveable equipment purchased with federal funds is tagged with NKU property tags. In addition, a Federal identification label is placed next to the NKU tag. Federal equipment may not be surplus, transferred, or otherwise disposed of without prior written authorization by the Director of Research Foundation Accounting and Grant Administration.
- Externally purchased computer software is included in the moveable equipment category and is subject to all policies prescribed for moveable equipment. Internally developed software, and internally developed upgrades and enhancements to existing software are capitalized if (as they are identified by a specific project) they exceed \$500,000 and during development no substantive plan exists to market the software externally. Costs of maintenance agreements and unspecified upgrades and enhancements will be expensed. Capitalized software has a useful life of 5-10 years.

e) Library Books and Materials

- Library books and materials are books, periodicals, microfilms, electronic media, and other library items.
- These holdings are capitalized at cost.
- Donations of library books and materials are capitalized at their appraised value at the date of the gift.

- Library disposals are booked annually at an average cost from information received both from the Steely Library and Chase Law Library.
- Capitalized library books and materials have a useful life of 10 years

f) Museum and Art Collections

- Museum and Art Collections are defined as such if the collection is held for public exhibition, education, or research rather than financial gain.
- Such collections shall be capitalized at cost or at their appraised value at acquisition. Adjustments will be made to these values only upon the completion of new appraisals or termination of ownership.
- Museum and art collections are not subject to depreciation.

g) Construction in Progress

- Construction in Progress includes all costs associated with building, building renovation or land improvement construction projects that are not substantially complete and the asset ready for its intended use.
- Construction in Progress assets will not be subject to depreciation until completed and transferred to the appropriate permanent asset class

II. ENTITIES AFFECTED

Office of the Comptroller and all entities within Northern Kentucky University charged with inventorying and/or accounting for capital assets

III. RESPONSIBILITIES

Office of the Comptroller

The Office of the Comptroller is charged with the responsibility of maintaining the inventory records on all fixed assets from the time of acquisition until disposal. This office is responsible for the implementation of this Fixed Asset Capitalization policy—initiating capitalization and maintaining depreciation records. Upon the receipt of new equipment, the Office of the Comptroller must verify and identify the equipment with NKU identification numbers.

Individual Departments

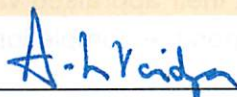
Ultimate responsibility for University property rests with individual department equipment custodians. Departmental custodians are responsible for the protection, maintenance, and custody of the equipment entrusted to their care. Departmental custodians are also responsible for completing the proper documentation to account for acquisition, location, transfer, surplus, or loss of property assigned to their departments.

REVISION HISTORY

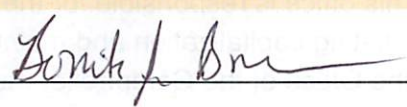
REVISION TYPE	MONTH/YEAR APPROVED
Revision & Name Change	November 6, 2019
Policy – Fixed Asset Capitalization	

CAPITALIZATION OF ASSETS

PRESIDENTIAL APPROVAL

PRESIDENT	
Signature 	Date <u>12/6/19</u>
Ashish K. Vaidya	

BOARD OF REGENTS APPROVAL

BOARD OF REGENTS (IF FORWARDED BY PRESIDENT)	
<input type="checkbox"/> This policy was forwarded to the Board of Regents on the Presidential Report (information only) . Date of Board of Regents meeting at which this policy was reported: ____/____/____.	
<input type="checkbox"/> This policy was forwarded to the Board of Regents as a Presidential Recommendation (consent agenda/voting item) .	
<input type="checkbox"/> The Board of Regents approved this policy on ____/____/____. (Attach a copy of Board of Regents meeting minutes showing approval of policy.)	
<input type="checkbox"/> The Board of Regents rejected this policy on ____/____/____. (Attach a copy of Board of Regents meeting minutes showing rejection of policy.)	
VICE PRESIDENT AND CHIEF STRATEGY OFFICER	
Signature 	Date <u>1/29/2020</u>
Bonita J. Brown	