I. POLICY STATEMENT

Classification
Capital assets are recorded and reported in the following categories.

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

II. ENTITIES AFFECTED

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IV. DEFINITIONS

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, 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 should be determined and recorded separately.

b) Land Improvements
Land improvements are enhancements to land other than buildings having a value of $5,000 or more. Examples of such improvements include fencing, sidewalks, roadways, retaining walls, landscaping 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 40 year useful life.

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 5 to 40 years. Renovations to buildings will generally be capitalized at 50% of the total renovation cost if the total cost of the renovation is $25,000 or greater. Renovation costs are depreciated separately over a useful of 40 years.
Renovation costs not meeting the $25,000 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 $500 and $4,999 is tagged with NKU property tags, inventoried and capitalized. Capitalized moveable equipment has a useful life between 3 and 10 years.
The University maintains capital equipment that has been purchased with federal funds. This equipment is tagged with NKU property tags. In addition, a Federal identification label is placed next to the NKU tag. These items appear on the inventory list with a G under owner/title. Federal equipment may not be surplused, transferred or otherwise disposed of without prior written authorization by the Grants and Contracts Fiscal Officer.
Externally purchased computer software is included in the moveable equipment category and is subject to all policies prescribed for moveable equipment. The University follows AICPA’s Statement of Position (SOP 98-1) regarding the capitalization of software. 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. Cost 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 charged to the library accounts and object codes and thereby approved by the Associate Provost for Library Services or Director of the Law Library. These holdings are capitalized at cost less an allowance for periodicals of 10% and an allowance of 50% for permanent bindings. Donations of library books and materials are capitalized at appraised value at the date of the gift. Library disposals are booked annually at an average cost from information received both 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 at the end of a fiscal year. Substantially complete is defined as 90% or more complete. Construction in Progress assets will not be subject to depreciation until completed and transferred to the appropriate permanent
asset class.

**V. RESPONSIBILITIES**

a) Role of the 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 the Fixed Asset Capitalization Policy – initiating capitalization and maintaining depreciation records. Upon receipt of new equipment, the Office of the Comptroller must verify and identify the equipment with NKU identification numbers.

b) Role of the Individual Departments
Ultimate responsibility for University property rests with individual department equipment custodians. Each departmental custodian is responsible for the protection, maintenance and custody of the equipment entrusted to their care. Each departmental custodian is responsible for completing the proper documentation to account for acquisition, location, transfer, surplus, or loss of property assigned to their departments.

**REVISION HISTORY**

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