



KENTUCKY STATE UNIVERSITY POLICIES AND PROCEDURES

POLICY TITLE:

Capital Assets and Capital Planning Policy

VOLUME, SECTION & NUMBER:**ENTITIES AFFECTED:**

All Divisions and Departments

ADMINISTRATIVE AUTHORITY:

Finance and Administration

APPROVED BY:

Kentucky State University Board of Regents

EFFECTIVE DATE:

August 9, 2024

POLICY STATEMENT:

Capital assets are tangible or intangible assets used in normal business operations, not held for resale, that have a useful life of over one (1) year. These assets are accounted for at a historical cost, and all assets, except for land and works of art, are subject to depreciation. Kentucky State University (KSU) departments are responsible for the care, maintenance, and use of all long-lived assets in their custody.

DEFINITIONS:**Building**

A building is a structure that is permanently attached to the land with a foundation, has a roof, is partially or completely enclosed by four (4) walls, has one (1) utility other than electricity, and is not transportable or moveable. A building must also be used for housing people, animals, plants, or equipment.

Building Improvements

Building improvements are renovations which extend the useful life of an asset or increase its value (utility) beyond what it was before the renovations.

ERP Software

ERP software refers to computer systems utilized to manage the resources of KSU.

Furniture and Equipment

Furniture and equipment refer to moveable and fixed goods with an acquisition cost greater than the capitalization limit that possess a useful life of more than one (1) year.

Land

Land refers to any improved or unimproved tract owned by KSU. Land is a non-depreciable asset.

Land Improvement

Land improvement refers to any non-building improvement built, installed, or established to make land ready, enhance the quality of land, or facilitate the use of land for its intended purpose.

Library Holdings

Library books are capitalized annually as a collection for all volumes added to the holdings in the period. Subscription-based library resources are expensed in the period of subscription.

Technology Equipment

Technology equipment is defined as moveable and fixed equipment of a technological nature that forms the basis of information systems or connectivity infrastructure (e.g., servers, network equipment, telecommunications systems, testing devices, etc.). Such equipment generally has a shorter useful life than general equipment.

Works of Art

Works of Art are defined as collections that are held for public exhibition, education, or research in furtherance of public service instead of financial gain. A collection is to be protected and preserved. Net proceeds from the sales of works of art from a collection are to be used to acquire other items for the collection.

Vehicles

Vehicles are defined as transportation equipment (e.g., automobiles, trucks, buses, forklifts, dump trucks, etc.).

PROCESS:

Capitalization Threshold

KSU capitalizes all assets with a ***value of more than \$5,000 and a useful life of more than one year***. Fixed assets are valued at acquisition cost which includes the purchase price or construction cost, net value of any assets given in exchange (trade-ins), as well as costs incurred to place the asset in its intended location in an operable condition, such as shipping, installation, site preparation, legal costs, etc. In the case of donated assets, the value is set at the fair market value at the date of the gift, if determinable, or the appraised value.

Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the structure's useful life are capitalized. Routine repairs and maintenance are expensed in the year in which the expense is incurred.

Construction expenses related to ongoing projects are recorded as Construction in Progress and are not depreciated until construction is complete and the asset is placed in service.

Durable goods with an acquisition cost of less than \$5,000 or goods with an acquisition cost of greater than \$5,000 and useful life of less than one year will be expensed in the year purchased.

Approval

All capital equipment and projects, regardless of the funding source, shall be presented to the **Board of Regents for approval in an annual capital budget**. This includes gifts-in-kind of fixed assets and donation of services to improve facilities. The annual capital budget should include a designated amount of discretionary authority granted to the President to approve capital purchases not included in the capital budget to manage unplanned equipment and project acquisitions.

Depreciation and Useful Life

KSU depreciates assets on a straight-line basis over their estimated useful lives as follows:

| Asset Type | Useful Life |
|--|--------------------|
| Land | Unlimited |
| Land improvements | 10 years |
| Buildings | 40 years |
| Building improvements | 20 years |
| Library holdings | 10 years |
| Works of art (held for exhibition, not resale) | Unlimited |
| Enterprise Resource Planning (ERP) software | 7 years |
| Heavy equipment | 10 years |
| Furniture and equipment | 7 years |
| Technology equipment | 5 years |
| Vehicles | 5 years |

Usage

Use of KSU property for personal purposes is not permitted. It is to be explicitly understood that if KSU property is used for personal purposes, the KSU insurance policy does not provide for coverage and the liability (i.e., repairs, replacement, etc.) rests with the individual and department assigned custody of the asset.

Acquisition

Approved fixed assets shall be purchased in accordance with the KSU Purchasing Policy and the Kentucky Model Procurement Code.

Assets Management

All KSU assets, regardless of funding source, will be maintained in the accounting system with **a unique identifying number**. Each asset is assigned to a department of KSU with a named **custodian**.

Custodians conduct an **annual physical inventory of assets** under their care to confirm the existence, condition, and location of KSU's fixed assets. Change to an asset's condition or location will be reported to the accounting office.

Disposals

Disposal of assets (lost, stolen, damaged/destroyed, transferred, retired, or sold) will be reported to the accounting office with all available documentation regarding the identification of the asset and the details of the disposal.

Fixed assets that are not located in the annual physical inventory will be investigated and reported as ***lost or stolen*** to public safety, department management, and the accounting office.

Fixed assets that are ***no longer serviceable*** to the assigned department will be reported to department management, the accounting office, and the purchasing department. The purchasing department retains sole authority to redistribute marketable surplus property to other departments on campus, to other government agencies, or to sell at public auction or by sealed bids. Departments are not permitted to discard, donate, or sell tagged fixed assets. Proceeds from fixed asset sales are recorded in KSU's general fund.

Disposal of assets purchased with land grant or other restricted funds requires the approval of the responsible compliance officer.

RELATED POLICIES:

Purchasing Policy
