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## WVU POLICY

### DIVISION OF FINANCE

### CAPITALIZATION

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#### 1. PURPOSE & SCOPE

- 1.1. **Purpose** – To establish a uniform capitalization procedure for equipment and other fixed assets, intangible right-to-use assets (leased and subscription assets), and other intangible assets that complies with federal, state, and West Virginia University (WVU) reporting requirements.
  
- 1.2. **Scope** – This policy applies to all West Virginia University departments, including those on the regional campuses - Potomac State College of WVU, WVU Institute of Technology, Charleston division of the Robert C. Byrd Health Sciences Center, Jackson's Mill State 4-H Conference Center and Camp, and the WVU Farms – and the West Virginia University Research Corporation.

#### 2. POLICY

- 2.1. For financial statement purposes the capitalization requirements are as follows –

1. **Movable Equipment** having a useful life of one year or more and a total acquisition cost of \$5,000 or more per single unit. A single unit is defined as a piece of equipment, that when assembled, functions as a stand-alone unit.

**Leased Equipment** if it meets the capitalization criteria of Governmental Accounting Standards Board Statement (GASB) Statement No. 87 and has a total cost of \$5,000 or more per single unit. Please see the definition of Intangible Right-to-Use Assets (Leased Assets) in Appendix A.

**Donated Equipment** having a useful life of one year or more and fair market value of \$5,000 or more.



**Category:** Division of Finance

**Title:** Capitalization

**Responsible Unit:** Institutional Accounting,  
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**2. Buildings, Building Improvements, Land Improvements and Infrastructure** having a useful life of one year or more and a cost of \$25,000 or more.

**Leased Buildings** if they meet the capitalization criteria of GASB Statement No. 87 and has a total cost of \$25,000 or more. Please see the definition of Intangible Right-to-Use Assets (Leased Assets) in Appendix A.

**Donated Buildings** having a useful life of one year or more and fair market value of \$25,000 or more.

**3. Internally Generated Computer Software** having a useful life of one year or more and a cost of \$100,000 or more.

**4. Leased Computer Software** if it meets the capitalization criteria of GASB Statement No. 87. Please see the definition of Intangible Right-to-Use Assets (Leased Assets) in Appendix A.

**5. Subscription Software** if it meets the capitalization criteria of GASB Statement No. 96 and a cost of \$50,000 or more. Please see definition of Intangible Right-to-Use Assets (Subscription Assets) in Appendix A.

**6. Other Intangible Assets** having a useful life of one year or more and a cost of \$25,000 or more.

**7. Leasehold Improvements** having a useful life of one year or more and a cost of \$25,000 or more.

**8. Land** is capitalized irrespective of cost.

**9. Library Books, Reference Materials and Resources** are capitalized irrespective of cost.

**10. Federally Owned and Other Party Owned Assets** are not capitalized unless the title to the asset is transferred to WVU. In that case such assets are capitalized at their fair market value (net book value at the time of transfer).

**11. Works of Art, Literature and Historical Treasures** are not capitalized.

**12. Repairs and Maintenance** related expenditures are not capitalized.



### 3. DEFINITIONS

- 3.1. **Buildings** - Includes buildings purchased or constructed. Construction projects are initially capitalized to construction in progress. Subsequently, the capitalized expenditures are recorded as an asset.
- 3.2. **Building Improvements** - The substitution of a better asset for the one currently used (example - install carpeting where none existed or substitute a concrete floor for a wood floor), or any change to the building which increases its future service potential and extends its useful life (example - substitute a new wooden floor for an old deteriorated wooden floor).
- 3.3. **Internally Generated Computer Software** - Includes computer software that is developed in-house or by a third-party contractor on behalf of WVU or software that is purchased or licensed by WVU and modified using more than incremental effort before being put into operation per the requirements of GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". Generally, only institutionally significant systems with a cost of \$100,000 or greater are capitalized. Also includes major modifications (such as an upgrade) to the software.
- 3.4. **Other Intangible Assets** - An intangible asset is an asset that 1) lacks physical substance, 2) is nonfinancial in nature and 3) has an initial useful life of one year or more. This includes right-of-way and other types of easements, water rights, timber rights, patents, copyrights, trademarks, licenses and permits with a cost of \$25,000 or more. This also includes gifts of software with rights to use. This does not include assets acquired primarily for the purpose of directly obtaining income or profit.
- 3.5. **Donated Assets** - Assets received in a voluntary non-reciprocal transfer from another entity such as gifts of capital assets.
- 3.6. **Equipment** - An article of non-expendable, tangible personal property that is free standing, movable, is complete in itself, does not lose its identity when affixed to or installed in other property and has a useful life greater than one year. Includes delivery equipment, office equipment, machinery, furniture and fixtures, factory equipment, instruments and vehicles. Also includes the following –



## a) Fabricated Equipment

Fabricated equipment includes self-constructed equipment where the total unit cost incurred to fabricate the equipment is \$5,000 or more. Components include enhancement parts that materially and permanently increase the value or useful life of equipment. A system with multiple components which cannot operate independently of each other and together cost \$5,000 or more will also be capitalized. The rule-of-thumb is that for a component to be included in the original acquisition cost of a piece of equipment, it should be an attached or installed option which, as assembled, is expected to operate as one unit for the remainder of its life.

## b) Exceptions to Equipment

Exceptions to the equipment definition are –

- Assets purchased as repair parts for existing parts in previously tagged equipment.
- Materials used in repair or replacement in previously tagged equipment.
- Household equipment (drapes, bedding, carpet replacement).
- Built-in equipment – such items become part of the building or structure after installation and may be capitalized as building improvements. For example – built-in cabinets, garbage disposals, furnaces, and air conditioners. Please see the definition of Building Improvements.
- Livestock – is neither tagged nor capitalized.

3.7. **Federally Owned Assets** - Includes assets purchased with federally sponsored award funds. These federally funded assets are tagged, recorded and tracked in WVU's Fixed Assets System but are not reported on the Financial Statements of the University. The title to such assets generally remains with the federal sponsor. However, in some situations the federal sponsor may transfer the title of the asset to WVU.

3.8. **Other Party Owned Assets** - Includes assets purchased with sponsored award funds (other than federal funds) or assets furnished by the sponsor (non-federal). These sponsor funded or sponsor furnished assets are tagged, recorded and tracked in WVU's Fixed Assets System but are not reported on the Financial Statements of the University. The title to such assets generally remains with the



sponsor. However, in some situations the sponsor may transfer the title of the asset to WVU.

- 3.9. **Federally Furnished Assets** - Includes assets directly acquired by and in the possession of the government and subsequently furnished by the government to the University as part of a sponsored award. These federally furnished assets are tagged, recorded and tracked in WVU's Fixed Assets System but are not reported on the Financial Statements of the University. The title to such assets remains with the federal sponsor and the assets are returned to the government at the end of the contract or sponsored award through which it is provided.
- 3.10. **Infrastructure** - Long-lived capital assets that are part of a network of assets that can have service potential for an extended period and that are normally stationary. Examples of infrastructure networks – roads, sidewalks, electrical, sewer and water systems, fiber optic cabling system, transit systems, bridges, dams, and telecommunications network systems.
- 3.11. **Land** - Land purchased by WVU or acquired by gift or bequest.
- 3.12. **Land Improvements** - Any improvements with a limited life made to ready land for its intended use that is not part of an infrastructure network. Examples of land improvements - parking lots, landscaping, benches, fountains, bleachers, retaining walls, septic systems.
- 3.13. **Intangible Right to Use Assets (Leased Assets)** - Assets that are capitalized as a result of a contract that conveys control of the right to use another party's nonfinancial asset for a noncancelable period of time of twelve months or longer in an exchange or exchange-like transaction as prescribed by GASB Statement No. 87, "Leases". Certain contracts are excluded from these requirements such as leases of biological assets, contracts that meet the definition of a service concession arrangement, and supply contracts. Thresholds for capitalization are determined based on the underlying assets.

Lease agreements with a maximum possible term of twelve months or less (short-term leases) are excluded from these requirements; the underlying assets are not capitalized. The period payments are recorded as an expense.



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Contracts that transfer ownership of the underlying asset to the lessee by the end of the contract and do not contain termination options are considered a financed purchase of the asset by the lessee.

- 3.14. **Intangible Right to Use Assets (Subscription Assets)** - Assets that are capitalized as a result of a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, for a noncancelable period of time of twelve months or longer in an exchange or exchange-like transaction as prescribed by GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" (SBITAs). Certain contracts are excluded from these requirements such as contracts that solely provide IT support services, contracts that meet the definition of a lease under GASB Statement No. 87, perpetual licensing arrangements, and donated software.

Agreements with a maximum possible term of twelve months or less (short-term SBITAs) are excluded from these requirements; the underlying assets are not capitalized. The period payments are recorded as an expense.

- 3.15. **Leasehold Improvements** - Improvements to land and building leased by the University. These may include walls and partitions, electrical wiring and fixtures, heating and cooling systems, roofing and plumbing. Repair, maintenance and painting of existing improvements are not leasehold improvements.
- 3.16. **Library Resources** - Library acquisitions include regular volumes, books, journals, periodicals, archives, subscriptions, microforms, audio/visual media, and electronic resources.
- 3.17. **Repairs and Maintenance** - Expenditures incurred to maintain assets in operating condition. Repairs and maintenance does not usually make the asset more useful or add to the estimated life of the asset. Examples: Land - mending a broken fence, unclogging drainage systems, and repainting park benches. Building - replacing old carpet with new carpet, repainting interior or exterior, mending a roof (not replacing a leaky roof). Equipment - replacing minor parts, lubricating and adjusting, getting a computer cleaned.
- Repairs and maintenance expenditures are not capitalized and are charged as an operating expense.
- 3.18. **Works of Art, Literature and Historical Treasures** - The University maintains various collections of inexhaustible assets including contributed works of art



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(paintings, sculptures, and other artifacts), historical treasures (memorabilia, unique and significant structures) and literature (rare books and manuscripts). They are held for exhibition, education, research and furtherance of public service. These collections are neither disposed of for financial gain nor encumbered.

Since no value can be practically determined for these assets, such collections are not capitalized.

#### 4. RESPONSIBILITIES

- 4.1. **Interpretation** – The responsibility for interpretation of this policy rests with the Senior Associate Vice President for the Division of Finance or designee.
- 4.2. **Application** – The responsibility for application of this policy rests with Institutional Accounting, Reporting and Analysis.
- 4.3. **Procedure Development** – The responsibility for procedure development of this policy rests with Institutional Accounting, Reporting and Analysis.

#### 5. AUTHORITY & REFERENCES

- 5.1. WVU Board of Governors Finance & Administration Rule 5.1 Approvals and Delegation of Authority for Financial and Administrative Matters (under consideration for approval and out for public comment).

#### 6. SUPERCEDES

- 6.1. This policy supersedes all other Capitalization policies, procedures or guidelines at the University to the extent those documents are inconsistent with and fall under the scope of this policy.

Signature: Barbara Weiss Date: 05/21/2024

Barbara Weiss  
Senior Associate Vice President – Division of Finance

