BUSINESS AFFAIRS SUB-COUNCIL

April 21, 2010

MINUTES

The meeting began at 9:00 a.m. in the Genesco Training Center. Present were Ms. Mary Cross (NaSCC); Mr. Steve Campbell (NeSCC); Mr. Horace Chase (JSCC); Dr. David Collins (ETSU); Ms. Beth Cooksey (VSCC); Mr. Danny Gibbs (RSCC); Mr. Mike Gower (MTSU); Mr. Ken Horner (CoSCC); Mr. Tommy Wright (ClSCC); Mr. Tim Hurst (APSU); Dr. Rosemary Jackson (WSCC); Ms. Velma Travis (DSCC); Mr. Ron Kesterson (PSCC); Mr. Mitch Robinson (APSU); Dr. Claire Stinson (TTU); Ms. Tammy Swenson (ChSCC); Mr. John Cothern (MTSU); Mr. Bob Hughes (TSU); Mr. Greg Wilgocki (ETSU); Mr. Jeff Young (TTU); Mr. David Zettergren (UOM); Mr. Julius Dodds (ChSCC); Ms. Tonya Braden (TTC Memphis); Ms. Angie Gregory, Ms. Tammy Gourley, Ms. Deanna Hall, Ms. Lisa Hall, Ms. Pat Massey, Mr. Ron Ostenfeld, Ms. Brooke Shelton, Mr. Dale Sims, and Ms. Renee Stewart (TBR).

1. <u>Chancellor's Remarks</u>

Mr. Sims began the meeting by introducing two new business officers. Thomas Wright is the new business officer at Cleveland State Community College and Mary Cross is the new business officer at Nashville State Community College. He also introduced several Maxine Smith Fellows attending the meeting.

Chancellor Manning informed the council that news reporters have contacted TBR about automobiles that are assigned to executive level positions. He reminded everyone that these vehicles are part of the compensation package. UT is possibly eliminating automobiles as part of executive level positions.

Chancellor Manning discussed the unified system approach for community colleges. An advisory committee is working toward implementing this system in June 2012. The advisory committee plans to adopt short-range agendas at the June 2010 Board meeting.

2. <u>Report of the Committees</u>

A. Finance Committee

Dr. Collins highlighted the following issues from the April 7, 2010 Finance Committee meeting.

- E-Rate Implementation

The committee discussed the E-rate implementation in Banner and how students will be flagged and calculated. The committee discussed the manual process that will have to be implemented in the fall for E-rate students. One institution manually reviews these students on a daily basis to see if an E-rate student has added on-ground classes. If the student has added a class and paid the majority of the fees then they do not purge the student. The committee also discussed the tuition cap issue regarding E-rate students.

A conference call will be set up by TBR staff with the bursars and Teresa Workman of TBR IT to discuss these issues.

- Fixed Asset Capitalization Guideline

  The committee discussed the sensitive minor equipment section in the proposed Fixed Asset Capitalization guideline (Attachment A). The dollar amount of $1,500 to $4,999 was added for sensitive equipment as well as a useful life of 3 years.

  The committee also discussed whether items have to be tagged as stated in the policy. It was determined that sensitive items only have to be identified but not actually tagged.

  This guideline will be referred back to the Finance committee to address Internal Audit concerns that were subsequent to the Finance committee meeting.

- Incidental Fees

  The Board has requested a review of certain mandatory and non-mandatory fees for consolidating into the maintenance fee rate. There are certain fees such as specialized academic course fees and debt service fees that will need to remain separate. The Finance committee will study this issue with the help of bursars. Fees that are considered academically counterproductive will also be reviewed. The outcome is expected to be revenue neutral.

- Incidental Fee Process

  The committee discussed the incidental fee approval moving from June to March and any problems that were encountered. The committee had no problems with this change in timeframe. It was discussed that the fee instructions need to disclose certain fees that will not be considered for approval. TBR staff will work to improve the instructions.

- Student Referendum

  The committee discussed incidental fee requests and student referendums. The level of reliance the Board should place on the referendum and when a referendum is necessary was discussed. The committee also discussed whether a policy or guideline on student referendums is needed. The committee also addressed when a referendum should be reauthorized. These issues will continue to be addressed by the Finance Committee.

- Meal Expense Reimbursement

  The committee discussed contradictory statements in the travel policy regarding expense reimbursement. The policy contradicts because it states that meal reimbursement is allowed when overnight travel or occasional excessive hours of work are required. The committee decided to remove the term "occasion excessive hours of work" from the travel policy. (Attachment B)

  The travel policy was referred back to the Finance Committee to address Internal Audit concerns subsequent to the Finance Committee.

- Travel Policy-Parking Receipts

  The committee discussed conflicting statements in the travel policy regarding airport/hotel parking receipts. It was recommended to remove the language stating that receipts must be required on airport and hotel parking.

  The travel policy was referred back to the Finance Committee to address Internal Audit concerns subsequent to the Finance Committee.

- Reconciliation

  The committee discussed the feasibility of developing a guideline requiring campuses to reconcile the general ledger to the subsidiary ledger. It was suggested by the auditors that a TBR policy be developed. The committee decided that the UT policy should be reviewed. The committee also discussed that the policy should address internal controls, management's responsibility for such, and that reconciliations should be signed, dated and reviewed.

- Guideline B-065

  The committee discussed the feasibility of revisions to the sustainable campus fee guideline proposed by CleanEnergy.org. Attachment D represents the revisions recommended by the Finance Committee.

  Each institution will may be contacted by the group.

The Finance Committee minutes were approved.

B. Council of Buyers

Ms. Gregory highlighted the following issues from the April 14, 2010 Council of Buyers Committee meeting.

- Prevailing Wage Rates

The Council discussed that wage rates apply when the value of a contract is more than $50,000. Before advertising for bids or entering into any contract for state construction, the prevailing wage rate must be requested. Campuses should involve their Facilities Departments when obtaining wage rates so that they are aware that construction is occurring on their campus.

- Proposed G-030 Changes

  Two sample agreements were inserted into this guideline. The agreements are for (1) Workshops/Seminars up to $5,000 and a (2) Workshop/Seminar Participation Agreement. These were developed as a result of needing simple forms for low dollar and low risk events. These are limited to contracts up to $5,000. These are proposed as samples only and are not mandatory.

- Staples

  Several items were discussed concerning the office supply agreement with Staples and are listed below.

  a. Institutions will be receiving their final administrative check for the last year of the previous contract.

  b. All institutions with the exception of 6 have a minimum order of $60.

  c. The new agreement provides for an additional 6% line item discount in lieu of an administrative fee being issued to the institution at the end of the contract year. The central office has asked Staples to build the 6% into each line item.

  d. Employees can make personal purchases at the same rates and discounts that are applicable to institutions. However, these purchases are not included in an institutions overall spending.

- Textbooks

  The Central Office is working with one of the community colleges on an RFP for e-books. This RFP would be a pilot for this type of arrangement.

  Several campuses have been contacted by their bookstore vender about the rental of textbooks. One campus was told that the vendor would not pursue rental books without changing the existing contract. It was discussed if an additional agreement was necessary. Several issues discussed were how the rental of books would affect commissions and whether the vendor would set up an offsite location that might compete with the campus location. It was determined to survey institutions about

which bookstore vendor they are using and the rental programs being offered by the vendor.
Any campus entering into a textbook rental program may want to contact Angie Gregory or Kathy Crisp first to ensure there are no contract issues. Ms. Crisp reminded everyone that if the original contract required TBR review any amendments to the contracts must also be reviewed by TBR.

- Textbook Requirements to Students

  The council asked for guidance on the upcoming HEA deadline to disclose textbook requirements to students at the time of registration. Legal Counsel will be contacted to determine this.

The Council of Buyers minutes were approved.

C. Internal Audit

Ms. Gourley highlighted the following issues from the April 14, 2010 Internal Auditors meeting.

- Policies

  The committee discussed several concerns regarding the travel policy, particularly whether the policy should include sections of valet parking, exchange rates for out-of-country travel, internet service when traveling, and checked baggage. These concerns will be discussed at the next Finance Committee.

  The conflict of interest policy was discussed in relation to conferences hosted by vendors. The concern is whether the conferences provide appropriate education opportunities for staff or whether they are an opportunity for the vendor's promotion.

- Audits of the Presidents' and Chancellor's Expenses

  Legislation has been proposed to require at least annual reporting of these expenses with audits to be conducted on a risk-based basis with a minimum of 30% of offices audited annually. Currently, these expenses are reported quarterly but would be reported annually under this proposed legislation. The due date of the audit would be moved to December 1 instead of the current due date of October 1. These changes will only occur if the proposed legislation is signed into law.

- Risk Assessment

  Ms. Gourley reminded the committee that we are coming up on the end of the cycle of reviewing all processes. A group has been formed to review TBR's risk assessment process to determine if changes are needed.

The Internal Auditors minutes were approved.

D. Human Resources

Mr. Ostenfeld highlighted the following issues from the March 30, 2010 Human Resources Officers meeting.

- Faculty Sub-council recommended Policy and Guideline Revisions

  The committee discussed recommendations from the Faculty Sub-Council on their Faculty Work Week Task Force on changes to TBR Policy 5:01:00:00 and TBR Guideline P-020 regarding telecommuting. The committee decided was that these changes were not needed and think that these changes could be very problematic. They recommended including faculty in the current Telecommuting Policy or development of a separate faculty Telecommuting Policy.

  The Business Affairs Sub Council did not take a position on these recommendations. Some business officer expressed concern about the depth of legal review of suggested revisions. There has not been an opportunity to hear the proponents of the suggested language. It was suggested that someone from the Faculty Workweek Task Force needs to speak to the BASC for further explanation. Additionally, chief business officers will discuss the proposed changes with faculty sub-council members on their campuses.

- Revisions to Guideline P-010 General Instructions on Forms and Execution of Contracts

  The committee reviewed suggested revisions to TBR Guideline P-010, General Instructions on Forms and Execution of Contracts. The revisions are intended to clarify some parts of the process and responsibilities at the TBR Central Office.

- Parental Leave

  The committee discussed revisions to TBR Policy 5:01:01:08, Parental Leave. The revision clarified the language in the policy to state parental leave was for 30 workdays not 30 calendar days as stated in the policy

- 457(f) Regulations

  IRS 457 (f) regulations may present possible problems with higher paid 9 and 10 month faculty. The TBR Central Office is working to help identify institutions with problems.

- Health Insurance

Mr. Ostenfeld updated the BASC on the health insurance options. There will only be two plans available. There will be a 1) PPO plan and 2) partnership plan to meet certain wellness requirements. There will also be tier levels that will change with the number of participants on the employee's insurance plan.

The Human Resources Officers minutes were approved with the exception of the Faculty Sub Council recommended Policy and Guideline changes.

3. <u>Election of BASC Chair and Finance Committee Member</u>

The committee elected Ms. Cynthia Brooks as BASC Chair. The committee elected Mr. Ken Horner as Finance Committee member. If anyone is interested in becoming the IT representative, they should send an e-mail to Dale Sims.

4. <u>Summary of Insurance Information for Risk Management</u>

The committee was given a summary of insurance information that was recently prepared by TBR Facilities.

5. <u>Formula Review</u>

The council was updated on the outcome-based formula review by THEC. There is concern among the business officers that some measures will be difficult to quantify and audit such as community service. It was also noted that some outcomes are not tracked in Banner.

THEC wants to limit outcome measures and subpopulations to information already being collected. They are asking that all recommendations include where data is currently tracked. TBR has requested that THEC provide definitions of outcome terms currently under consideration.

The meeting was adjourned at 12:00 p.m.

Guideline B - XXX

Subject: Fixed Assets and Sensitive Minor Equipment

The purpose of the following guideline is to outline significant provisions for consistent capitalization procedures for fixed assets at the institutions governed by the Tennessee Board of Regents. These guidelines largely represent a consolidation of the existing practices and are intended to serve as a reference document for institutional staff responsible for fixed asset administration. The guideline includes provisions for capitalizing land, land improvements, leasehold improvements, buildings, additions and improvements to buildings, infrastructure, nonexpendable personal property, software, and livestock. Additionally, the guideline also includes provisions for the inventory of sensitive items.

I. Land

Land is generally considered to have an unlimited life and is therefore a non-depreciable asset. Land acquired by the institution should be recorded at its original cost which includes a variety of expenditures related to its acquisition and its preparation for use as intended by the institution. The following are examples of expenditures that should be capitalized as a part of the cost of land:

1. The original acquisition price.
2. Commissions related to the acquisition.
3. Legal fees related to the acquisition.
4. Cost of surveys.
5. Cost of an option to buy the acquired land.
6. Cost of removing unwanted buildings from the land, less any proceeds from salvage.
7. Unpaid taxes (to the date of acquisition) assumed by the institution.
8. Cost of permanent improvements (e.g. landscaping) and improvements that will later be maintained and replaced by other governments (e.g. street lights, sewers).
9. Cost of getting the land in condition for its intended use, such as excavation, grading, filling, draining, and clearing.

Land acquired through forfeiture should be capitalized at the total amount of all taxes, liens, and other claims surrendered, plus all other costs incidental to acquiring ownership and perfecting title. Assumption of liens, mortgages, or encumbrances on the property increases the purchase price and should be included in the original cost. A liability should be recognized for the amount of the lien, mortgage, or encumbrance assumed by the institution.

Land acquired by donation, or the intent to donate, e.g., for one dollar, should be recorded on the basis of an appraisal of the market value at the date of acquisition. The cost of the appraisal itself, however, is expensed at the time incurred.

When costs are incurred but the land is *not acquired,* the costs should be expensed.

Land held for investment purposes should be classified as investments rather than as property.

II. Land Improvements

Expenditures for land improvements that have limited lives should be capitalized in a separate account from the Land and depreciated over their estimated useful lives. Examples of land improvements include, but are not limited to, site improvements such as landscaping that has a limited life (e.g. shrubbery, flowers, trees); retaining walls, parking lots, fencing, sidewalks, sculptures, and art work. Land improvements are normally depreciated over a useful life of 20 years.

As assets near the end of their estimated lives, the estimates should be reviewed for accuracy of the original estimate and adjusted to reflect the anticipated number of years of continued use. Any adjustment of estimated lives is a change in accounting estimate and should be applied to current and future depreciation calculations.

III. Leasehold Improvements

Leasehold improvements include improvements to existing or new leased spaces. These improvements should be capitalized if the cost exceeds $50,000 and the cost is borne by the institution. Leasehold improvements are generally depreciated over the lesser of the original term of the lease or the useful life of the improvements. If the lease contains an option to renew for additional years but renewal is uncertain or the likelihood of renewal is uncertain, the improvements should be depreciated over the original term of the lease or the useful life of the improvement.

IV. Buildings

The cost of a building includes all necessary expenditures to acquire or construct and prepare the building for its intended use. Buildings consist of relatively permanent structures, including all permanently attached fixtures, machinery and other appurtenance that cannot be removed without damaging the building or the item itself. Buildings are erected for the purpose of sheltering persons or property. Examples include, but are not limited to such items as academic buildings, dormitories, apartments, barns, etc. All buildings costing $100,000 and above should be capitalized. Buildings costing less than $100,000 should be expensed. Buildings are normally depreciated over a useful life of 40 years.

Buildings acquired by purchase should be capitalized at their original cost. The following major expenditures are capitalized as part of the cost of buildings:

1. The original bargained purchase price of the building.
2. Cost of renovation necessary to prepare the building for its intended use.
3. Cost of building permits related to renovation.
4. Unpaid taxes (to date of acquisition) assumed by the institution.
5. Legal and closing fees.

Buildings acquired by construction should be capitalized at their original cost. The following major expenditures are capitalized as part of the cost of buildings:

1. Cost of constructing new buildings, including material, labor, and overhead.
2. Cost of excavating land in preparation for construction.
3. Cost of plans, blueprints, specifications, and estimates related to construction.
4. Cost of building permits.
5. Architectural and engineering fees.
6. Landscaping and other improvements related to the building construction that cannot be separately identified from the building project (e.g. wiring within the building, shrubbery and sidewalks around the building).

Buildings acquired by donation, or the intent to donate, e.g. for one dollar, should be recorded on the basis of an appraisal of the market value at the date of acquisition. The cost of the appraisal itself, however, should not be capitalized.

Removable fixtures, including but not limited to furnishing for the new building, should be distinguished from the cost of the building and capitalized or expensed in the appropriate accounts even if they are acquired as a part of the purchase or the construction project.

The cost of a building that is acquired but *immediately* removed to prepare the land for construction of a new building is treated as part of the cost of the *land* rather than as part of the cost of the new building.

The cost of removing an old building that you have occupied in past but that is now deteriorated and must be removed prior to constructing a new building, should be capitalized as a part of the cost of the new building. The precedent supporting this treatment is the requirement to capitalize all normal costs of readying an asset for use, i.e., capitalizing demolition costs of unwanted building(s) with the purchase of land, capitalizing renovation costs when a building is purchased, capitalizing excavating costs in preparation for construction of a new building and, when a building is constructed with plans to expand later then any demolition costs are capitalized with the cost of the addition.

As assets near the end of their estimated lives, the estimates should be reviewed for accuracy of the original estimate and adjusted to reflect the anticipated number of years of continued use. Any adjustment of estimated lives is a change in accounting estimate and should be applied to current and future depreciation calculations.

V. Additions and Improvements to Buildings

Additions

Additions represent major expenditures that are capital in nature because they increase the service potential of the related building. Additions costing $50,000 or above should be capitalized. Additions costing less than $50,000 should be treated as repairs and maintenance even through they have the characteristics of capitalized expenditures.

Example:

- A new wing is added to an existing building at a cost of $700,000. The cost would be capitalized.
- A new wing is added to an existing building at a cost of $49,999. The cost would be expensed since it does not meet the dollar level established for capitalization.

Two major issues are involved with accounting for additions and generally requires some professional judgment:

Useful life: If the estimated useful life of the addition is independent of the building to which it relates, the addition is treated as a separate asset and depreciated over its estimated useful life, regardless of the life of the original asset. If the addition is not independent of the original asset, the useful life must be determined in relation to the original building. In this case, the cost of the addition is depreciated over the shorter of the estimated life of the addition or the remaining life of the original building.

Capitalized costs: If the original building was constructed with a plan to expand, cost related to the original building incurred when the addition takes places should be capitalized. However, costs that could have been avoided with appropriate planning at an earlier date should be expensed rather than capitalized.

Improvements

Improvements represent the substitution of a new part of an asset for an existing part. For example, the roof of a building may be replaced or a new HVAC may replace an old HVAC system. If the new part of the asset is similar in nature to the part being eliminated, the substitution is a called a <u>replacement</u>. If the new part represents an improvement in quality over the part being eliminated, the substitution is called <u>betterment.</u> Both replacements and betterments are subject to capitalization if the cost is $50,000 or more. The appropriate accounting treatment is determined by whether the original part of the existing asset is separately identifiable.

- If separate identification is possible, the new expenditure should be substituted for the portion of the book value being replaced or improved.

  Example: Roof replacement at cost of $50,000 (original cost separately identified is $30,000).

Building (new roof)	$50,000

Accumulated Depreciated 27,000
Loss on replacement of roof 3,000
Building (old roof) $30,000
Cash 50,000

- The separately identified asset is depreciated over the shorter of the expected life of the separate asset or the remaining life of the building.

- If separate identification is not possible, the cost of replacements and betterments is treated as an increase in the book value of the Building, thereby increasing the basis for depreciation over the remaining life of the Building.

  - If the replacement or betterment is designed primarily to enhance the *quality* of the service potential of the building, the cost is charged to the Building asset account.
    - An appropriate increase in depreciation expense is recognized in future years but the useful life is *not* increased.

    Example:

    Building $70,000
    Cash $70,000

  - If the replacement is designed primarily to extend the length of the service life of the asset, the book value is increased by debiting Accumulated Depreciation.
    - The revised book value is then depreciated over the *revised* useful life.

    Example:

    Accumulated Depreciation – Building $70,000
    Cash $70,000

Note:
- Alterations that modernize rather than improve the quality of a building should be expensed unless the alteration is so extensive as to increase the estimated life of the building.
- Re-roofing costs that are not replacing a separately identified asset should not be capitalized unless they are part of a major renovation of a building.

Examples:
- An old gymnasium is converted to a block of individual rooms at a cost of $500,000. This is considered a major renovation and would be a building capitalization. This renovation enhances the service quality of the building but does not extend the life of the building.

  - Debit: Building $500,000 Credit: Cash $500,000

- A deteriorating roof on an existing building (the original roof costs are not separately identified) is replaced at a cost of $55,000. These costs should be expensed in the year(s) costs are incurred.

  - Debit: Maintenance of buildings $55,000 Credit: Cash $55,000

- A dormitory is completely renovated at a cost of $1,000,000 including a new roof. It is estimated that the renovation will add an additional 10 years to the life of the building. The entire project costs would be capitalized under buildings.

- Debit: Accumulated depreciation $1,000,000 Credit: Cash $1,000,000

- Note: The life of the building should be changed to reflect the additional 10-years of service. The debit to accumulated depreciation is the accumulated depreciation on the original building.

- A parking lot is repaved at a cost of $20,000 in order to restore to its original condition. This would be considered maintenance and would not be capitalized.
  - Debit: Paving expense $20,000 Credit: Cash $20,000

As assets near the end of their estimated lives, the estimates should be reviewed for accuracy of the original estimate and adjusted to reflect the anticipated number of years of continued use. Any adjustment of estimated lives is a change in accounting estimate and should be applied to current and future depreciation calculations.

Infrastructure

Infrastructure is defined as improvements related to the skeletal structure and function of the campus. Examples include, but are not limited to, roads, steam lines, chiller systems, storm sewers, tennis courts, sewer lines, severe weather systems, athletic scoreboards, turfs, lighting, radio and television towers, water lines, signage, all-weather track, telecommunications and computing wiring, and energy management systems. Improvements valued at or above $50,000 should be capitalized. Improvements valued at less than $50,000 should be expensed. The same accounting rules that apply to improvements to buildings also apply to improvements to infrastructure. Infrastructure items are normally depreciated over a useful life of 20 years.

As assets near the end of their estimated lives, the estimates should be reviewed for accuracy of the original estimate and adjusted to reflect the anticipated number of years of continued use. Any adjustment of estimated lives is a change in accounting estimate and should be applied to current and future depreciation calculations.

Nonexpendable Personal Property

Examples of nonexpendable personal property include machinery, implements, tools, furniture, vehicles and other apparatus with a unit cost of $5,000 or more and a minimum life expectancy in excess of one year. The following list includes some of the costs that should be capitalized in the appropriate asset account:

1. The original bargained acquisition price.
2. Freight, insurance, handling, storage, and other costs related to acquiring the asset.
3. Cost of installation, including site preparation, assembling, and installing.
4. Cost of trial runs and other tests required before the asset can be put into full operation.
5. Cost of reconditioning equipment acquired in a used state.

Nonexpendable personal property acquired by donation, or the intent of donation, e.g. acquisition for one dollar, should be recorded on the basis of an appraisal of the market value at the date of acquisition.

1. Furniture – Movable furniture that is not a structural component of a building. Examples include, but are not limited to, desk, tables, filing cabinets, and safes. Office furniture purchased in components should be capitalized only if the individual components that cannot be separated cost at least $5,000. Furniture is normally depreciated over a useful life of 20 years.

2. Office and operational equipment – Office and operational equipment other than computers and peripherals. Examples include, but are not limited to, copiers, sorters, folders, filing system, printing press, shop equipment, athletic equipment, kitchen equipment, generators, and yard equipment. Office and operational equipment are normally depreciated over a useful life of 10 years.

3. Computers and peripheral – Computers and peripheral equipment are normally depreciated over a useful life of 5 years.

4. Educational and scientific equipment – Classroom or laboratory equipment used to conduct the normal program of education and research activity. Examples include, but are not limited to, audiovisual equipment, classroom demonstration models, electronic instruments, lab equipment, surveying equipment, radio equipment, pianos, and other musical instruments. Educational and scientific equipment are normally depreciated over a useful life of 10 years.

5. Motorized vehicles – Examples include, but are not limited to, cars, mini-vans, vans, boats, and light general-purpose trucks. Motorized vehicles are normally depreciated over a useful life of 5 years.

6. Heavy equipment – Examples include, but are not limited to, buses, heavy general-purpose trucks, forklifts, snowplows, and agricultural equipment. Heavy equipment items are normally depreciated over a useful life of 10 years.

7. Library holdings – Library holdings include library books, music, artistic, and reference materials included in the institution's library collection. Examples include, but are not limited to, books, periodicals, microfilm, microfiche, government documents, films, videocassettes, audiocassettes, phonograph records compact disc - audio, slide set, filmstrip, transparency, maps, multimedia kit, three-dimensional models, non-catalogued pamphlets, computer software manuscripts and archives, photographs, and compact disc. Library holdings are normally depreciated over a useful life of 10 years.

The same accounting rules that apply to building improvements apply to improvements to nonexpendable personal property.

As assets near the end of their estimated lives, the estimates should be reviewed for accuracy of the original estimate and adjusted to reflect the anticipated number of years of continued use. Any adjustment of estimated lives is a change in accounting estimate and should be applied to current and future depreciation calculations.

Software

Software with a cost of $100,000 or greater should be capitalized and amortized. Capitalized software costs will include external direct costs of materials and services consumed in developing or obtaining internal-use computer software. Training costs are not internal-use software development costs and should be expensed as incurred. Data conversion often occurs during the application development stage. Data conversion costs should be expensed as incurred. Internal costs incurred for maintenance should be expensed as incurred. Software costs should be amortized over a useful life of 10 years.

For each module or component of a software project, amortization should begin when the computer software is ready for its intended use, regardless of whether the software will be placed in service in planned stages that may extend beyond a reporting period. For purposes of this guideline, computer software is ready for its intended use after all substantial testing is completed. Amortization shall begin the year in which the first module is placed in service. A full year of amortization will be charged the first year regardless of the actual implementation date.

Software with a cost less than $100,000 should be expensed unless the institution determines, and provides justification, for capitalizing. For example, if an institution purchases a separate software package to support the Banner system (example Luminous Premier), it may be appropriate to capitalize the cost even if less than $100,000 since it is directly related to the Banner system. It should be noted that software licensing agreements that are not perpetual in nature will be expensed, regardless of cost.

Livestock

Livestock should be expensed.

Sensitive Minor Equipment

Sensitive minor equipment items are of a movable nature which are particularly vulnerable to theft and have a cost or fair value (for donated items only) between $1,500.00 and $4,999.99**, regardless of funding source**. The following items are examples of items that may be viewed as sensitive minor equipment: binoculars, boat motors, boat trailers, boats, cameras, camera lenses, canoes, computers, external computer storage devices, ham radios and receivers, marine band transmitters and receivers, microscopes, musical instruments, scientific equipment, oscilloscopes, PDAs, printers, projectors, radio scanners, external computer scanners, spectrum analyzers, televisions, two-way radio transmitters and receivers, vector scopes, video cameras, video recorders and players, **and** waveform monitors~~, and all weapons~~. **All weapons, regardless of cost, should be considered sensitive minor equipment.** Each institution will perform a risk assessment to determine which items should be designated as sensitive minor equipment for that institution. The useful life of sensitive minor equipment is estimated at 3 years, after which the fair value will be considered to be nominal.

Although sensitive minor equipment items are not capitalized, they must be ~~tagged~~ **identified** and inventoried. Physical inventory of sensitive minor equipment should be conducted concurrently with the physical inventory of capitalized equipment items. Sampling is an acceptable method of conducting the physical inventory of sensitive minor equipment. ~~This section of the guideline (Section X) will have prospective implementation as of July 1, 2010.~~

4. The employee is considered to be on official travel status, and as such, eligible for reimbursement of travel expenses, at the time of departure from the employee's official station or residence, whichever is applicable, for the purpose of traveling on state business. Expenses for meals will be allowed when overnight travel ~~or occasional excessive hours of work are~~ **is** required outside the county of the employee's official station or residence. En route lodging will be allowed for only one day each way on trips of long duration. Expenses for lodging will only be allowed in cases where the approved and most direct or expeditious mode of travel will require more than ten (10) hours of continuous travel for trips of long duration. The lodging expense will not be considered en route lodging if it does not add an additional day of lodging expense. For example: An employee has a 9:00 a.m. meeting in Atlanta, GA. Assume the employee needs to work a full day prior to the trip. It would be less expensive and more convenient to drive rather than fly. The employee leaves the night before and drives to within two hours of Atlanta. Then the employee spends the night, continues the drive the next morning and arrives for the 9:00 a.m. meeting. This will be reimbursed but is not considered en route lodging as it did not add an additional day of lodging expense to the normal travel expenses.

VI. Meals

1. <u>In-State and Out-of-State Meals</u> - Meals while on authorized travel will be reimbursed, subject to the meal allowance provided on the Addendum. The maximum per diem rates include a fixed allowance for meals and for incidental expenses (M&I). The M&I rate, or fraction thereof, is payable to the traveler without itemization of expenses or receipts. Incidentals are intended to include miscellaneous costs associated with travel such as tips for baggage handling, phone calls home, etc.

Out of Country meals are reimbursed at actual expense with receipts. If no receipts are provided, the maximum rate will be the maximum Conus rate of Out-of-State travel.

The M&I rates for out-of-state travel are the same as those for federal employees, and are available on the General Services Administration’s web site. As with lodging, there is a standard rate for the continental United States (CONUS), and a list of exceptions. Reimbursement for meals and incidentals for the day of departure shall be three-fourths of the appropriate M&I rate (either the in-state rate or CONUS rate for out-of-state travel) at the rate prescribed for the lodging location. Reimbursement for M&I for the day of return shall be three-fourths of the M&I rate applicable to the preceding calendar day. To assist in this calculation, the following table lists partial per diem rates for meals and incidentals for in-state and out-of-state travel.

Per Diem Rates – Three-fourths Calculations

$46	$34.50
$51	$38.25
$56	$42.00
$61	$45.75
$66	$49.50
$71	$53.25

The following table may be used to determine reimbursement for a single meal, when appropriate. Reimbursement for meals will not be permitted when overnight travel is not involved.

In-State and Out-of State of Tennessee

Meals and Incidental – Allocated by Meal

Per diem	$46	$51	$56	$61	$66	$71
Breakfast	7	8	9	10	11	12
Lunch	11	12	13	15	16	18
Dinner	23	26	29	31	34	36
Incidentals	5	5	5	5	5	5

5. Automobile Travel - When travel by automobile is appropriate, employees may use state-owned automobiles whenever available and feasible. However, state-owned vehicles should be used only on official business.

a. State Owned Automobiles - When transportation is by a state-owned automobile, tolls, parking, gasoline and storage expenses are allowable. When using motor pool automobiles, employees will be furnished with courtesy cards for purchase of gasoline, oil, and other automobile services, and such expenses should not be claimed by employees as travel expenses. Emergency out-of-pocket expenses, such as towing or emergency repairs, will be reimbursed but must be accompanied by proper receipt identifying the automobile and itemizing the services. Such expenditures must be of an emergency nature whenimmediate service is required and access to a state facility is not possible. Major repairs should be approved by campus officials prior to work being performed. Such expenditures are allowed but should be filed for reimbursement separately.

b. Personally-Owned Automobiles - Use of a personally-owned automobile must be authorized. Mileage reimbursement rates are provided on the Addendum. The authorized mileage allowance includes all operating expenses such as gas, oil, and repairs precluding any separate claim for such items. Employees may use reputable websites to determine point-to-point and/or vicinity mileage.

Commuter Mileage - Procedures for calculating mileage are based on the fact that the State is prohibited from reimbursing employees for normal commuting mileage.

1) If an employee begins or ends a trip at his/her official station, reimbursable mileage will be the mileage from the official station to the destination.

2) If work is performed by an employee in route to or from his/her official station, reimbursable mileage is computed by deducting the employee’s normal commuting mileage from the actual mileage driven.

3) If an employee begins or ends his/her trip at his/her residence without stopping at his/her official station, reimbursable mileage will be the lesser of the mileage from the employee's residence to his/her destination or his/her official station to the destination. On weekends and holidays, the employee may typically be reimbursed for actual mileage from his/her residence to the destination.

4) If an employee travels between destinations without returning to his/her official station or his/her residence, reimbursable mileage is the actual mileage between those destinations.

c. The travel claim must indicate the employee's itinerary and must show the official business mileage. Business mileage as indicated by the official state map or reputable websites, and that published by Rand-McNally or reputable websites for out-of-state routes will be regarded as official. Vicinity mileage must be reported on a separate line and not included with point-to-point mileage. Only mileage on official business may be claimed.

d. Necessary charges for hotel and airport parking will be allowed provided that airport parking fees do not exceed normal taxi fare to and from the airport or the cost of two round trips in the employee's personal car (see item 10 below~~). Receipts must be furnished on airport and hotel parking.~~

6. Limousine and Taxi Service - When travel is by common carrier, reasonable limousine and taxi fares will be allowed for necessary transportation. Bus or limousine service to and from airports will be used when available and practical. After arrival at destination, necessary taxi fares for traveling between hotel or lodging and meeting or conference will be allowed. No receipt is required for reimbursement of reasonable taxi fares.

7. Car Rentals at Destination - Charges for automobile rental shall be allowed whenever it is more economical than alternative methods of transportation or it is the only practical means of transportation. Charges for insurance for rented automobiles are not reimbursable. Whenever possible, employees should refuel before returning vehicles.

8. Tolls and Ferry Fees - Reasonable tolls and ferry fees will be allowed when necessary. No receipt is required for reimbursement of tolls and ferry fees.

9. Daily Parking Fees - Daily parking fees for those employees working in downtown offices will not be allowed. However, if an employee is required to leave his office on official business and later returns the same day, the actual additional charge required to park will be reimbursed up to the maximum indicated (see Addendum). Also, those employees required to utilize commercial parking facilities in the daily performance of duties, or while on travel status, will be allowed reimbursement for actual costs. Receipt is required if the fee exceeds the maximum indicated per day (see Addendum).

10. Unnecessary meals and lodging expenses which are occasioned by the use of an automobile for reasons of the employee's personal convenience, or which are due to travel by an indirect route, will not be allowed.

11. If travel is by common carrier, the employee will be reimbursed for expenses in traveling to and from the common carrier including but not limited to the reasonable cost of one of the following options, whichever is less:

a. one round trip taxi fare,

b. or parking of the employee's personal car at the location of the common carrier, plus mileage of one round trip,

c. or mileage of two round trips in the employee's personal car (subject to a 200 mile maximum for two round trips).

Receipts must be furnished on airport and hotel parking exceeding maximum parking allowance in Addendum.

Guideline B-065
Subject: Sustainable Campus Fee (SCF Program)

Program Guidelines

If a SCF is proposed by a campus for approval by the TBR Board, then the following Program Guidelines apply.

1. The initial fee request should not exceed $10.00 per student per semester (Fall & Spring only).

2. The fee shall be administered by a committee at each campus using the following criteria:

A. Committee shall be appointed by the campus president/director that is comprised of an appropriate ratio of students, faculty and staff to approve and oversee the use of funds.

B. Under the leadership of the campus administration, the committee shall develop a decision making structure to establish on an annual basis:

1. The amount of fee to be allocated to the green power purchase (taking into consideration TVA's ability to meet the green power purchase demand) and on-campus sustainability initiatives.

2. Approval of on-campus sustainability initiatives

C. Funds for each category for on-campus sustainability initiatives should be allowed to be carried forward if needed for near-term future expenditures. Fund balances in each category should not exceed a two-year accrual without encumbrance or a carry forward justification plan.

D. A status report shall be published by each campus at the end of each fiscal year for all program activities. Based on this report the campus committee shall evaluate each year the validity of the fee and the appropriateness of the fee amount and make a recommendation, if necessary, for an adjustment to the fee.

3. The proceeds from the fee may be used for the following:

A. TVA Green Power Switch or Other Certified Green Power Purchases

1) Recommended purchase amount 0 to 10% of the total KWH used by the campus. Purchases over this amount should be evaluated carefully and justified by the campus committee prior to purchase. **Campuses may consider buying the minimum amount to attain EPA Green Power Partnership status (http://www.epa.gov/greenpower/join/purchase.htm).**

2) Green tag or other types of certified green power purchases should be evaluated carefully and justified by the campus committee prior to purchase.

B. On-campus Sustainability Initiatives

1) Should be for direct demonstrable campus sustainability benefits

2) Proceeds should be allocated between sustainability initiatives with the primary focus on projects for energy efficiency and utility conservation

3) Should not be used for budgeted salaries, special events or operational expenditures not associated with the SCF Program

4) Shall comply with State law, State Building Commission/Tennessee Board of Regents Policy, Procedures and Guidelines where applicable, with regard to project approvals, use of designers and code compliance.

Categories

- Energy and Utilities (electric, gas, water, etc.)
- Local Generation (Renewables – solar, wind, etc.)
- Alternative Fuel (Hybrid vehicles, Bio-diesel projects, etc.)
- Other (Environmental, Recycling, etc.)

Types of Initiatives

- Projects
- Studies
- Research
- Projects should:
    - Provide or demonstrate a specific energy or environmental benefit
    - Be technically and economically feasible
    - Be cost effective to operate and maintain
    - Be consistent with campus standards and master plan
- Studies should:
    - Focus on implementable technologies or initiatives that are economically and technically feasible
    - Quantify energy or environmental benefit(s)
    - Address feasibility, operability, and maintainability of the technology or initiative
    - Not duplicate prior, similar studies

Source: President's Meeting May 16, 2007 (NEW)

- Research should:
    - Focus on identified sustainablility categories
    - Have significant level of student participation/support