Middlebury

# Fixed Asset Policy

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Next Scheduled Review: May 1, 2014

# A. Table of Content

## B. Policy Statement

The purpose of this Fixed Asset policy is to set forth the guidelines for the physical and reporting control of the College's fixed assets. The policy establishes definitions, asset valuation methods, capitalization thresholds and useful life, and depreciation method. It will assist the Controller's Office in gathering and maintaining information needed for the preparation of the financial statements.

The guideline assigns responsibility to the Budget Administrators for the proper accounting for fixed assets at the department level and to the Accounting Manager for the maintenance of the Fixed Asset Database and Accounting system. Final oversight lies with the Vice President for Finance and Treasurer.

## C. Reason for the Policy

This policy provides the fixed asset standards required of Middlebury College by General Accepted Accounting Principles, the Financial Accounting Standards Boards Statement of Financial Accounting Standards No. 117 and for federally funded fixed assets by the Office of Management and Budget Circular 110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (11/19/1993) (further amended 09/30/1999). The National Association of College and University Business Officers Online Financial Accounting and Reporting Manual for Higher Education also provides guidance.

## D. Applicability of the Policy

This policy applies to all Middlebury College faculty, staff, students, and to fixed assets from all funding sources. This policy applies to all property for which the College is accountable, including property that has been purchased with outside funding. It further covers the acquisition, valuation, donation, salvaging, record keeping, custodianship, use, transfer, loan, retirement, accountability, care, modification, and reporting of all property under the College's care and custody. This policy sets out required minimum standards. Departmental policies might exist in addition to this policy and complement but may not substitute this policy.

## E. Definitions

**Fixed Assets**: Tangible assets acquired, purchased, constructed, or donated for use in operations and not for investment or sale. Their useful life is larger than two years, they retain their individual identity (including all component parts) throughout their useful life and meet the thresholds listed below.

**Costs below capitalization thresholds**: Items that do not meet the monetary thresholds listed in this policy are expensed in the period incurred.

**Maintenance and repairs:** Costs associated with recurring work required to preserve or immediately restore an asset to such condition that it can be effectively used for its designed purpose. Maintenance includes work done to prevent damage to an asset. Examples are custodial services, repainting a room, fixing a leaky faucet, and replacing parts of an engine. Maintenance and repairs are expensed in the period incurred.

**Preservation and restoration**: The costs associated with maintaining special assets in or returning them to a level of quality as close to the original as possible. An example would be returning a stained glass window to its former level of beauty or acting to prevent any further deterioration. Preservation and restoration cost are to be expensed in the period incurred.

## F. Types of Fixed Assets

### 1. Land

Land is not depreciated and its cost lasts forever. It is considered real property. The cost of land includes its acquisition cost. It also includes the initial costs of making changes to it so that it can be used for the purpose intended. When the acquisition of land includes buildings, the total cost is allocated between the two in reasonable proportion to their appraised value at the date of acquisition. In absence of a reasonable basis, other sources may be used such as an expert appraisal or real estate tax assessment records. If the acquisition plan contemplates the removal of the buildings, the total cost including removal is accounted for as cost of land. Any salvage value of the removed buildings, when disposed of, is deducted from the cost.

Examples for costs included in the cost of land are contract price, real estate broker commissions, appraisals, legal fees involved in the transaction, cost of title guaranty insurance policies, cost of real estate survey, cost of an option that has been exercised, special government assessments, fees charged by government for changes in land use or zoning, cost of recording title, cost of cancellation of unexpired lease, cost to move tenant if payable by purchaser, payment of past due taxes if payable by purchaser, cost of easements or rights of way, and assessments for the construction of public improvements. Further it includes the cost of preparation of a construction site such as toxic waste cleanup, grading land and providing drainage, sewers, or placing utilities which are put in once and unless damaged by force or disrupted by plans for new uses of the land, do not require maintenance.

## 2. Land Improvement

Land Improvements are not depreciated if they have an indefinite economic live. They are then added to land cost. Costs of land improvements that have a limited life are depreciated. These include paved parking lots and sprinkler systems, as well as recreational and landscaping improvements, fences, roads, lighting, swimming pools, athletic fields, sidewalks, docks, bridges. Costs necessary to the specific construction of a building such as grading and excavation for the building, removing trees and other foliage are also included. Land Improvements are considered real property.

## 3. Buildings

Buildings have a limited life and are thus depreciated. They are considered real property. All expenditures directly related to the purchase or the construction of buildings are included in the building cost except for cost associated with land and land improvement (see above). Some examples of cost associated with buildings are contract price or price of construction, costs for architect's fees, plans, and other planning events, cost of government fees and building permits, payment of prior year taxes accrued on the building if payable by purchaser, other costs such as security or temporary fencing, temporary buildings used during construction or other costs directly attributable to the construction or purchase of the specific building and capitalized interest.

### a) Building Shell

For any building newly constructed or purchased, a building's outside "shell" (that is, its foundation, walls, and floors) is to be treated separately from its building service components for asset classification and cost depreciation purposes.

### b) Building Addition

Additions of a building component or a building section where one did not previously exist.

### c) Building Replacement

Replacement is the total replacement of a unit with a new unit that serves the same purpose and has the same estimated useful life as the unit being replaced. The obsolete asset is recorded as a loss on retirement of the old building, that is the capitalized value and the associated accumulated depreciation of the replaced item is removed from the accounting records. The cost of the replacement is capitalized as a new asset.

### d) Building Systems / Interior

For any building newly constructed or purchased, a building's components (that is, plumbing, electrical system, roofing, interior finishing, siding, and HVAC), will be treated as a single asset and depreciated over a single useful life. If a component can be removed without damaging the building, it is considered equipment and should not be included in the value of the building.

### e) Building Renovation

Extraordinary repairs, not recurring in the routine maintenance process, which extend the useful life of an asset or increase its use value beyond what it was before the repairs, are capitalized. This includes alterations such as a change in the internal arrangement or other physical characteristics of an existing asset so that it may be effectively used for a newly designated purpose such as changing classroom space into office space and renovations such as the total or partial upgrading of a facility to higher standards of quality or efficiency than originally existed, e.g., creating smart classrooms.

Expenditures including expenditures for replacement parts made to maintain an asset in efficient operation condition are repair and maintenance cost and are expensed. This includes replacement of roof coverings which do not extend the useful life of the building, floor coverings and window coverings.

### f) Construction in Progress – Self Constructed Assets

All direct costs associated with construction and management costs associated with a construction project can be capitalized based on the policy governing the type of asset. Direct costs are costs that are identified specifically with the construction project in the sense that they would not have incurred otherwise such as material and labor and interest costs. Department project management costs are included by using a percentage of the actual project management costs as well as a percentage of utility costs. Indirect costs are excluded. Only when construction is completed and the asset is put into service, the asset is capitalized.

### g) Capitalized Interest Cost

Interest payments for financed projects are to be capitalized in accordance with FASB Statement 34 "Capitalization of Interest Cost" and its amendments FASB Statement 42 "Determining Materiality for Capitalization of Interest Cost" and FASB Statement 62 "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants" during the period of time that is required to complete and prepare the asset for its intended use. See the separate Capitalization of Interest Cost Policy.

### h) Capital Lease

A lease is a personal property right granting to the lessee the use of real property for a specified length of time. Leases are considered capital leases if any one of the following criteria is met:
(a) Ownership transfers to lessee at end of lease.
(b) Lease contains bargain purchase option.
(c) Lease period is at least 75% of its useful life.
(d) Present value of lease payment is at least 90% of fair market value.
Capital Leases are capitalized for the life of the type of asset it represents or the term of the lease, whichever is shorter.

### i) Leasehold Improvement

Leasehold improvements in the form of buildings or structural alterations, renovation, or improvements made by the lessee to the leasehold are capitalized similarly to owned property, except that economic life is related to the term of the lease.

## 4. Equipment

Equipment is an article of non-expendable, tangible property having a useful life of more than two years and an acquisition cost that equals or exceeds the capital threshold. It includes machinery, computers, and office equipment, furniture, fixtures, and boats, vehicles of all types, tools, and containers, irrigation equipment, printing presses, and building systems (heating, cooling, and elevators) and is considered personal property.

All costs involved in putting equipment into a condition ready for use should be included in the asset value. Some of the costs that may be incurred are contract price, commissions paid, legal fees and other contract costs, freight, handling, and storage costs, sales or use tax and other taxes or fees assessed, cost of preparation of the space for installation, use of cranes or other means of installation, installation charges, cost of testing and preparation for use and costs of reconditioning used equipment purchased. Discounts are deducted from the cost.

Add-ons which are added more than six (6) months after the original acquisition with an acquisition cost of at least $1,000, which materially and permanently increase the value or useful life of a capital item, are capitalized and their cost added to the capital cost of the item being enhanced; otherwise, they are expensed. The purchase order or the tag number of the enhanced capital item must be referenced on the requisition and purchase order or procurement card order for the enhancement part in order for the enhancement part to be considered a fixed asset.

### a) Office Equipment

These are long-lived assets needed to run a business such as typewriters, calculators, scanners, fax machines, copiers, shredders, projectors, screens, video conference systems, and video and photo cameras.

**b) Furniture and Fixtures**

Examples are filing cabinets, desks, chairs, tables, shelves, lamps, production furniture, curtains, instrument drapes, mattresses, key system, lecterns, bleachers, commencement platform.

**c) Computers and their Peripheral Equipment**

Examples are computers, printers, card readers, mass storage units, disk drives, batteries, workstations. This category includes computer replacements purchased for scientific equipment.

**d) Software Licenses**

Software acquired, internally developed, or modified to meet the College's internal needs, with no intention of marketing the software externally are capitalized. Site licenses can only be capitalized if they do not include such items as provisions for maintenance, help desk support, or training. Examples are telephone update software, catering software, firewall, orchestra software, Banner software, Hyperion software, timekeeper system.

Cost related to internally-developed software such as costs in the preliminary stages of development, including conceptualization, evaluation of alternatives, and assessment of technology to support performance are expensed. Fees paid for training, conversion costs, and software maintenance are expensed.

**e) Mainframe Processors, Servers, Networks, and Electronic Systems**

Examples are servers, server farms, banner hardware needs, routers and switches, costs and components associated with the storage project, implementing a complete phone system, the unified messaging system, and the card access project.

**f) Departmental Equipment**

Equipment needed in the athletic departments such as fitness center equipment, scoreboards, headset systems, tag hour timing systems, or field tarps; the dining department such as refrigerators, boilers, salad reach-in, open burner, range, steam kettle, stove, work stations, and food processors; the mailing service and reprographics department such as sealers, folders, printing presses, typesetters and labelers; lighting and sound equipment such as keyboards, keyboard stands, mixers, microphones, lighting instruments, light boards, and sound systems; and custodial equipment such as carpet cleaning machines, floor scrubbers, ride on sweepers, carpet extractors, buffers, wet and dry vacuum cleaners, and carpet blowers.

**g) Scientific Equipment**

Equipment purchased by the College that is used for scientific research but is not a computer. Examples are microscopes, spectrometers, oscilloscopes, centrifuges, animal anesthesia system, lasers, and telescopes.

**h) Musical Instrument**

Examples are pianos, rebuilding and refurbishing of pianos, organ, and clavinovas.

**i) Heavy Equipment and Machinery**

Machinery needed in the heating plant such as turbines; facilities equipment such as personnel lifts, brush chippers, smog hog air ventilation/filtration, air compressors, and generators; recycling equipment such as crushers and trash compactors; and ski area equipment such as ski lifts and snow making equipment. Tennis platforms fall also under this category.

**j) Boats**

This asset type includes vessels, barges, tugs and similar water transportation equipment including rowing boats.

**k) Cars and Light General Purpose Trucks**

Examples are rental vans, cars, pickup trucks

**l) Light Off Road Vehicles**

This asset type includes light off road vehicles like Gators, Kubota utility vehicles, trucksters, riding mowers, and off-road pickups. This category includes lower priced vehicles.

**m) Heavy Off Road Vehicles**

Heavier, more expensive vehicles fall into this category such as large tractors, Zambonis, large mowers, forklifts, edge groomer as well as snowmobiles and snowcats.

**n) Heavy General Purpose Trucks**

Examples are trailers, loaders, backhoes, packers, dump trucks, platform trucks, 1-ton trucks.

## 5. Art & Antiques

This asset type includes art purchased for the museum, antiques purchased for the museum or within the College as well as public art funded by the Committee on Art in Public Places (CAP). Museum Art and Antiques are not depreciated.

### 6. Rare Books & Collections

Works of art, historical treasures, or similar assets are considered to be collections if they are:
(a) held for public exhibition, education or research in furtherance of public service rather than financial gain,
(b) protected, kept unencumbered, cared for, and preserved, and
(c) subject to an organizational policy that required the proceeds of items that are sold to be used to acquire other items for collections. Rare Books and Collections are not depreciated.

### 7. Bulk Purchases

Bulk Purchases of like capital assets with unit costs of less than the capital threshold are capitalized as a group where the allocation of costs for the bulk assets over time is matched to the corresponding benefits generated by the bulk assets. Examples are computers, scientific equipment like microscopes and oscilloscopes, and furniture including mattresses.

### 8. Asset Retirement Cost

See Separate Policy.

## G. Valuation

### 1. Cost of Asset

Fixed assets acquired by purchase are recorded at cost including all normal expenditures of readying the asset for use less discounts. See the type of asset description for more information.

### 2. Donated Assets

For donated fixed assets the true market value needs to be established using an appropriate source of information. Written documentation of how the market value was established is required. Acceptance of donation estimated to exceed $5,000 may be conditioned upon the receipt of a qualified appraisal or other documentation acceptable to the Controller’s Office. Donated assets that will be resold are investments, are not considered fixed assets and should not be capitalized.

### 3. Salvage Value

Property that, because of its worn, damaged, deteriorated, or incomplete condition or specialized nature, has no reasonable prospect of sale or use as serviceable property without major repairs, but has some value in excess of its scrap value (its basic material content ) is considered salvage. If the salvage value is greater than $0, annual depreciation is reduced by that salvage value.

### 4. Disposal

At the time of the disposal of an asset, the undepreciated balance of the asset is reduced by any proceeds to arrive at a gain or less which is shown as an increase or decrease in unrestricted net assets.

## H. Threshold

The standard capitalization threshold for capitalizing assets has been established as $5,000. The only exception is land. The capitalization threshold for land is $0.

## I. Useful Lives

Useful lives for classes of assets have been established as follows:

| Type of Asset | Depreciation Period |
|---|---|
| | |
| **Land** | |
| Land | Not Depreciated |
| Land Improvement | 20 Years |
| | |
| **Buildings** | |
| Building Shell | 60 Years |
| Building Addition | 60 Years |
| Building Replacement | 60 Years |
| Building Systems / Interior | 20 Years |
| Building Renovation | 20 Years |
| Capitalized Lease | Useful life of asset (or term of the lease, whichever is shorter) |
| Leasehold Improvement | 20 Years (or term of the lease, whichever is shorter) |
| | |
| **Office Related Equipment** | |
| Office Equipment | 4 Years |
| Furniture and Fixtures | 7 Years |
| | |
| **Computer Related Equipment** | |
| Personal Computers and their peripheral equipment | 4 Years |
| Software Licenses | 4 Years |
| Mainframe Processors & Servers & Network Systems and Electronic Systems | 7 Years |

| Type of Asset | Depreciation Period |
|---|---|
| | |
| **Departmental Equipment** | |
| Departmental Equipment | 7 Years |
| Scientific Equipment | 10 Years |
| Musical Instrument | 10 Years |
| Heavy Equipment & Machinery | 10 Years |
| | |
| **Vehicles** | |
| Cars and Light General Purpose Trucks | 4 Years |
| Light Off Road Vehicles | 4 Years |
| Heavy Off Road Vehicles | 7 Years |
| Heavy General Purpose Trucks | 10 Years |
| Boats | 10 Years |
| | |
| **Other Assets** | |
| Art & Antiques | Not Depreciated |
| Rare Books & Collections | Not Depreciated |
| Asset Retirement Cost | See FIN 47 |

## J. Depreciation

Depreciation is the annual charge to income that results from a systematic and rational allocation of cost over the life of a fixed asset. Middlebury College depreciates assets titled to the College monthly and posts that depreciation to the General Ledger. Assets titled to non-College entities may be depreciated, as directed by each entity, but such depreciation is calculated and reported manually. It is not recorded in the Fixed Asset Database or posted to the College's general ledger.

College-titled assets are depreciated according to the straight-line full month depreciation method. This means the total cost of the asset is divided by the number of years in its useful life and that amount is depreciated annually, posted in monthly increments.

Depreciation normally begins when an asset is purchased or completed. If it is not placed into service immediately, depreciation begins when the asset begins to lose value.

Depreciation expense is allocated to the functional categories (via assigning a program code) in the Statement of Activities.

## K. Policy Elaboration

### 1. Acquisition

Each department is responsible for reviewing the budget to verify purchases are appropriate before property is ordered. When acquiring replacement equipment, the department may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment. The department is responsible for verifying that the purchase of fixed assets is charged to the appropriate FOPAL (Fund – Org– Program – Account – Location codes of the Chart of Accounts).

Upon receipt of any fixed asset, the department is responsible to ensure the asset is sufficiently evaluated for correctness, completeness and is in good working order. Any discrepancies must be resolved as soon as possible. The designated department property administrator shall coordinate all efforts with the buyer, the equipment user and the manufacturer and/or shipping company.

## 2. Accurate Records

From acquisition through disposal, for each asset the following record information is needed in order for the Accounting Manager to create a record in the Fixed Asset Database and keep it properly maintained:

- Description of the asset including Model Number were applicable
- Quantity
- Manufacturer's name or Vendor
- Manufacturer Serial Number
- Purchase Order number if applicable
- Asset Type
- Department
- Location (911 address)
- Acquisition date
- Placed in Service Date
- Fund
- Funding sources (College, federal, state, private funding)
- Org
- General Ledger Asset Account Number
- Program Code
- Activity or Index were applicable
- Disposition data including date of disposal, trade-in value or sales price.

Most of this information can be obtained from the Purchase Order or the invoice; in case of questions the Accounting Manager will contact the departments.

Copies of the fixed asset record documents, such as purchase orders and invoices need to be kept for audit purposes readily available and complete. See the record retention policy for further guidelines

The Budget Administrator or designated representative is responsible for verifying that all asset data are correct and for notifying the Accounting Manager when capitalized equipment is donated, transferred, or retired.

## 3. Custodianship

Each moveable equipment item has a department assigned to it which requires the department to be ultimately responsible for the implementation of these property standards.

Each department is responsible for the utilization, maintenance, inventory, tracking, storage, security, disposition, and reporting of property. It should implement a control system to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the department shall promptly notify the Federal awarding agency and the Accounting Manager.

The departments shall implement adequate maintenance procedures to keep the equipment in good working condition.

## 4. Equipment Use

Each department shall use their equipment in the project or program for which it was acquired as long as needed and shall not encumber the property without approval by an authorized official evidencing prior consent.

During equipment usage on the project or program for which it was acquired, the department shall make it available for use on other projects or programs if such other use will not interfere with the work on the project or program for which the equipment was originally acquired.

## 5. Transfers

Fixed assets which are assigned to a different functional area (program code) need to be transferred in the fixed asset system. The Accounting Manager needs to be informed of the transfer in writing.

Transfers to a new institution require permission by the department head. A copy of the letter (or email) needs to be sent to the Accounting Manager. Equipment is transferred to a new institution with the understanding that the new institution accepts title to the equipment in its present condition and also accepts responsibility for all transportation costs.

## 6. Loans

Equipment (fixed assets and expensed assets) for which the College is accountable shall be loaned between divisions, to an employee at a non-Middlebury site, or to a non-Middlebury entity only with appropriate authorization. The department will work with the Dean or the appropriate Vice President to ensure that all equipment loans are documented with appropriate authorization.

When Middlebury College or College-accountable equipment is loaned to a non-College entity, such entities must be either a U.S. Government agency or a non-profit educational and/or research institution. Middlebury College does not loan equipment to for-profit entities unless directed to do so by the sponsor that funded the equipment purchase. In such cases, documentation of that direction (e-mail or other) from the sponsor must be provided to the Accounting Manager along with the Equipment Loan Agreement.

### 7. Retirements

#### Stolen Items

Stolen items must be reported to Public Safety within 24 hours of discovering the item as stolen. The police should be notified as soon as possible but not later than 3 days after the discovery. A police report must accompany documentation for writing off the asset.

#### Disposal of Assets

Prior to the disposing of an item, the department shall ensure that the fixed asset cannot be re-utilized within the College.

Upon approval by an authorized official evidencing prior consent to dispose the fixed asset by the College, the department shall use the appropriate disposal business procedures. Each office shall retain a record of their ultimate disposition of each fixed asset for audit purposes.

Approval is also required to sell or transfer fixed assets outside the College's disposal business processes. The department shall provide the Accounting Manager sufficient details of the pending sale or transfer.

### 8. Federally Funded Equipment

Fixed assets owned by the Federal Government shall be tagged by the Accounting Manager in a way to indicate Federal ownership. The College's procurement policy covers federal government required purchasing requirements.

### 9. Insurance

Middlebury College procures and maintains insurance consistent with prudent practices to protect its personal and real assets. This coverage satisfies the requirements of the federal agreements, other contracts, and requirements of the College.

## L. Procedures

Written procedures for recording fixed assets in the Fixed Asset System as well as in the general ledger are included in a separate document.

## M. Forms

None

## N. Contacts

Questions related to the daily operational interpretation of this policy should be directed to either:
Accounting Manager, Cory Buxton, cbuxton@middlebury.edu, (802) 443-5816
Controller, Cindy Wemette, Wemette@middlebury.edu, (802) 443-5373
The Vice President of Finance and Treasurer is the official responsible for the interpretation and administration of this policy.

## O. Related Documents / Policies

Capital Lease vs. Operating Lease Policy
Capitalization of Interest Cost Policy
Construction in Progress Policy
Procurement Policy
Asset Retirement Policy – FIN 47
Record Retention Policy

# Schedule 1: Fixed Asset Funds, Orgs, Accounts

## 1. Fixed Asset Classes

| | |
|---|---|
| AR | Art and Antiques |
| BI | Buildings |
| CO | Rare Books and Collections |
| EQ | Equipment |
| LA | Land and Land Improvements |
| LB | Library Books |

## 2. General Ledger Accumulated Depreciation Account Number

| | |
|---|---|
| 000000 | Art & Land No Depreciation |
| 176110 | Campus Building Accumulated Depreciation |
| 176120 | Non-Campus Building Accumulated Depreciation |
| 176210 | Equipment Accumulated Depreciation |

## 3. General Ledger Asset Account Number

| | |
|---|---|
| 171010 | Land |
| 171020 | Land Improvements |
| 172010 | Campus Buildings |
| 172020 | Non-Campus Buildings |
| 173010 | Equipment New |
| 173020 | Equipment Replacement |
| 174010 | Museum Art and Antiques |
| 174020 | Other Art and Antiques |
| 174021 | Rare Books and Collections |

## 4. General Ledger Depreciation Expense Accounts

| | |
|---|---|
| 000000 | Art & Land No Depreciation |
| 705610 | Depreciation Building Expense |
| 705611 | Depreciation Equipment Expense |

## 5. General Ledger Funds

Funds starting with

| | |
|---|---|
| 265 | indicate federal funds |
| 266 | indicate state funds |
| 267 and 268 | indicate private funds |
| 269 | indicate cost share and VCC funds |
| 760010 | Buildings, Land and Land Improvement |
| 760101 | Academic Department Equipment |
| 760102 | Athletic Equipment |
| 760103 | Bread Loaf Campus Equipment |
| 760104 | Campus Activities Equipment |
| 760105 | College Store Equipment |
| 760106 | Dining Equipment |
| 760107 | Facilities Management Equipment |
| 760108 | Golf Course Equipment |
| 760109 | ITS Equipment |

| | |
|---|---|
| 760110 | Library Equipment |
| 760111 | Mailing Service Equipment |
| 760112 | Other Area Equipment |
| 760113 | Purchasing Equipment |
| 760114 | Reprographics Equipment |
| 760115 | Snow Bowl Equipment |
| 760116 | Mailing Service New Equipment |
| 760200 | Equipment Accumulated Depreciation |

## 6. Program Codes

| | |
|---|---|
| 110 | Instruction |
| 120 | Academic Support |
| 130 | Student Services |
| 140 | Institutional Support |
| 150 | Sponsored Activity |
| 160 | Auxiliary Enterprises |
| 180 | Plant Operations |

This policy was approved by the Vice President for Finance and Treasurer in May 2009 and updated in May 2013.

**Introduction**
This policy is to establish record retention and disposition requirements for the Financial and Tax Records of the Controller's Office. Accordingly, this Record Retention Schedule (RRS) provides guidelines for complying with legal, fiscal, and archival requirements for financial and tax records and duplicates. This RRS schedule indicates the minimum length of time the Controller's Office must retain their records before they may be disposed of legally. The RRS schedule also helps ensure that records and information are being managed according to their value to the college and their legal retention requirements. <u>Annually records will be disposed of in accordance with this policy</u>.

**I. Purpose:** The purpose of this policy is to ensure that necessary records, documents and information are adequately protected and maintained and to ensure that records that are no longer needed or of no value to the college are discarded properly and at the appropriate time.

<u>CAUTION</u>- If any litigation, claim, negotiation, audit, open records request, administrative review, or other action involving a record has been initiated *before* the expiration of the retention period the record must be retained until the completion of the action and the resolution of all issues that arise from it, or until the expiration of the retention period, whichever is later.

**II. Retaining Records:** The Controller's Office will follow the record retention schedule and disposition directions for applicable records. However, records may be delayed from destruction if they are useful on an ongoing basis as a business resource. Some records will have an archival value. Records of archival value will be maintained permanently in a safe and secure area.

**III. Confidentiality of Records:** Some records may contain confidential or restricted access, such as social security numbers or specific donor information. These records will be handled with additional security. If in doubt abide by the requirements set forth within relevant federal and state laws and/or regulations.

**IV. Responsibility:** Each department supervisor in the Controller's Office with the support of the Assistant of the VP for Administration and CFO will be responsible for disposing of their records. The departments may dispose of records by the following means, **preferably by recycling**. However, confidential records must be completely destroyed under <u>appropriate supervision</u>.

The following information is provided to assist departments in selecting a disposal method:

METHOD 1: Recycling. All confidential documents in the department should be stored in a secure area until a sufficient amount warrants disposal; the department should contact Facilities Management Recycling Division for a pickup of the confidential material. The department must also accompany the documents until all material is destroyed.

METHOD 2: Shredding. All confidential documents in a department should be stored in a secure area until a sufficient amount warrants destruction by a shredder. Once the documents have been shredded, the department should contact Facilities Management Recycling Division for a pickup of the shredded material.

METHOD 3: Non-confidential documents only. Departmental non-confidential documents may be stored until a sufficient amount warrants disposal; the department should contact Facilities Management Recycling Division for a pickup of the non-confidential material.

**V. Definitions:**

<u>Official Record</u>: The official record is the original document that is most likely to be used for audit purposes. This is the original record.

<u>Duplicate or Working Duplicates</u>: All duplicate, working, and convenience duplicates of official records are classified as non-records. Therefore, in the interest of efficiency, do not keep non-records longer than needed, and thereafter, destroy them as soon as possible because they needlessly consume storage space.

<u>Retention Period</u>: The retention period is the minimum length of time an office must keep particular records. This is usually expressed in terms of years, months, days and may be contingent upon an event date or specification date that triggers the "clock." Most often, retention periods are triggered at: creation (CR), event (EVT), or fiscal (FIS) period.

Creation (CR): The retention period starts when a record is created or received.

Event (EVT): The retention period is triggered or tied to event dates; thus, retention begins when the specified event occurs. For example, if a record has retention of EVT+1 year and the event is defined as the life of an asset, then all records would be retained one year after the asset is sold, scrapped, or otherwise taken out of service.

Fiscal (FIS): This retention period is tied to the current fiscal year, and unlike CR and EVT retention periods, FIS records are managed in blocks by fiscal year. For example, "FIS+4 years" indicates that records must be retained for the current fiscal year and four complete additional fiscal years.

Disposition: The final state in a record's life cycle involves; destruction or transfer to a permanent file and/or location.

Transitory Documents: Includes items such as letters of transmittal; request for routine information; notices of meetings or events; are used only as a personal memory aid; personal correspondence or other documents not related to the business of the College. Transitory documents can be destroyed when no longer needed.

**VI. Controller's Office Financial and Tax Records Retention Schedule:** The Controller's Office Financial and Tax Record Retention Schedule applies to the need to balance the competing goals of maintaining records that adequately support fiscal and accounting transactions, while simultaneously managing the costs associated with maintaining these records. Therefore, the following schedules provide a vehicle for managing financial and tax records efficiently and consistently. Any duplicate records can be destroyed when no longer needed. Finally, in order to facilitate efficient records management this RRS schedule is provided in two formats: narrative form and table format with listed forms. (See attachment for table format).

a. Fiscal Administration Records

*ADMINISTRATIVE POLICIES, PROCEDURES and MANUALS*
Records include all written policies, procedures, and manuals related to documentation pertaining to fiscal matters.
Retention Time Period
Original: Date superseded + 3 years, thereafter destroy.

*ROUTINE INTERNAL STATUS AND ACTIVITY REPORTS*
Records include internal statistical and narrative reports on routine fiscal and accounting operations, including weekly, monthly, and quarterly reports for operations, management analysis, and planning.
Retention Time Period
Original: Date superseded + 3 years, thereafter destroy.

*PAYROLL FORMS AND REPORTS*

Reports and all supporting forms to include W-2s, distribution reports, cancelled and voided checks, and time cards.
Retention Time Period
Original: Calendar year of creation + 4 years, thereafter destroy.

*YEAR-END TAX REPORTS*
Reports and all supporting documentation to include tax-related reports (1098T listings/logs, 1099s, etc).
Retention Time Period
Original: Fiscal year of creation + 6 years, thereafter destroy.

*ANNUAL AUDITED FINANCIAL STATEMENTS*
This includes supporting documentation that will be retained permanently together with the Financial Statements.
Retention Time Period
Original: Retain permanently in office of origin.

*NON-ROUTINE FINANCIAL REPORTS AND STUDIES*
Records include reports and studies created for fiscal, accounting, and administrative reviews or analyses, including equity and escrow reports, fringe benefit studies, facility usage reports, cost comparison studies, and other special reports and studies.
Retention Time Period
Original: Fiscal year of creation + 4 years, thereafter destroy.

*AUDIT DOCUMENTATION: REGULARLY- OCCURRING AUDIT CYCLES*
This includes office responses, and findings. Regular audits include A-133.
Retention Time Period
Original: Retain permanently in office of origin.

*RECONCILIATION WORK PAPERS*
Records include intermediate fiscal records of receipts and disbursements used to reconcile accounts. These may include spreadsheets, proof sheets, abstracts of receipts, and disbursements or claims.
Retention Time Period
Original: Fiscal year of creation + 4 years, thereafter destroy.

*AUTHORIZATION FOR ACCESS FORMS*
Records include applications, authorizations, cardholder agreements, and related forms used to establish accounts. Authorizations may relate to SFS, purchasing cards, and college (travel) cards.
Retention Time Period
Original: Fiscal year in which account was inactivated + 4 years, thereafter destroy.

*CREDIT CARD RECEIPTS AND/OR DEPOSITS*
Records include credit card receipts and other documentation associated with credit card transactions. No credit card receipts or information will be stored. Refer to the

College’s “Policy for Accepting Credit Card and eCommerence Payments” for more information on credit card processing. Retention time period for supporting documents for deposits (other than credits card data) is as follows:
Retention Time Period
Original: Fiscal year in which transaction was creased + 4 years, thereafter destroy

b. Internal Control Records

*INTERNAL CONTROL POLICIES AND PROCEDURES*
Records include policies and procedures governing internal control, and related documentation that explains internal control policies and procedures, including but not limited to: memos, bulletins, manuals and internal audit reports.
Retention Time Period
Original: Date superseded + 4 years, thereafter destroy.

*INTERNAL MANAGEMENT REVIEW AND ROUTINE OVERSIGHT CONTROL FILES, REPORTS AND ACTION FILES*
Records include all documentation relating to routine internal management review (internal audits or reviews) and oversight of operations.
Retention Time Period
Original: Date of completed audit report + 4 years, thereafter destroy.

c. Payments and Receipts from All Sources Except Capital Improvement Projects

*EXPENDITURES: ACCOUNTS PAYABLE RECORDS*
Records include all supporting documentation relating to the purchases of goods or services. These records may include, but are not limited to, vouchers (both regular and student vendors), invoices, travel expense reports and attached receipts, entertainment contracts, financial aid disbursements, and purchase orders.
Retention Time Period
Original: Fiscal year of creation + 6 years, thereafter destroy.

*RECEIPTS: ACCOUNTS RECEIVABLE RECORDS*
Records include all supporting documentation related to the receipt of funds, including but not limited to deposit forms, attached vouchers, invoices, lists of checks received, accounts receivable, and remittance forms. Also included are records relating to deposits, as well as invoices to 3rd parties, and financial aid return forms and documentation.
Retention Time Period
Original: Fiscal year of creation + 6 years, thereafter destroy.

d. Banking and Cash Management-Related Records

*PAID /STOP PAYMENT/VOIDED/CANCELLED CHECK RECORDS*
Records include requests for stop payments and related correspondence and reports. These requests include all documentation relating to unpaid items, such as requests for re-issuance of checks, as well as all reports, logs, follow-up letters and supplemental

documentation for stale check follow-up, voids, and reissues. Also paper checks and voided checks resulting from printing errors.
Retention Time Period
Original: Fiscal year of creation + 6 years and thereafter, destroy.

*BANK STATEMENTS: ALL ACCOUNTS*
Records include all statements and supporting documentation for reconciliation. Also included are bank analysis reports and all documentation relating to signature authority for checks.
Retention Time Period
Original: Fiscal year of creation + 6 years, thereafter destroy.

*GENERAL OBLIGATION BOND RECORDS*
Records include all supporting documentation for principal and interest payments, including correspondence and reports.
Retention Time Period
Original: Date the bond matures or called + additional 25 years, thereafter destroy.

e. <u>Investment Records</u>

*INVESTMENT WRITE UPS/STATEMENTS/AGREEMENTS/SUPPORT RECORDS*
Records include write up and approval letters, monthly and quarterly statements, subscription documents, limited partnership agreements, investment management agreements, redemption and divestment notices, wire support records, and due diligence records.
Retention Time Period
Original: Divestment Date + 7 years, thereafter destroy.

f. <u>Collection-Related Records</u>

*COLLECTION CASE FILES*
Records include documentation of collection efforts: correspondence, reports, payment agreements, relevant reports to/from the agency and the amount of debt defaulted or written off as uncollectible. Also included is all correspondence to/from outside collection agencies. This applies to student and non-student related records. These records can include, but are not limited to, payment plans, deferments, student letters, e-mail correspondence, pre-collect processes, book vouchers, and temporary loans.
Retention Time Period
Original: Date account is due + 6 years, thereafter destroy.

g. <u>General Ledger Transactions</u>

*JOURNAL ENTRIES*
Records include all supporting documentation for journal uploads or entries into the Financial System Ledger. These may include, but are not limited to, internal transfers (chargebacks), payment transfers, revenue transfers, budget transfers, and budget entries for projects. Also included is documentation supporting the allocation of purchasing card expenditures, as well as supporting documentation for project budgets.
Retention Time Period
Original: Fiscal year of creation + 4 years, thereafter destroy.

h. <u>Capital Improvement and Projects Accounting</u>

*CAPITAL ACCOUNTING PROJECTS: FEDERAL CONTSTRUCTION FUNDS*
Records include documentation of acquisitions, capital assets, depreciation schedules, fixed assets, material transfer files, mortgage ledgers, facility/plant ledgers, property detail reports, property inventory reports, and reports on property sold.
Retention Time Period
Original: Date of issuance + 30 years, thereafter destroy.

*CAPITAL ACCOUNTING PROJECTS: NON-FEDERAL CONSTRUCTION FUNDS*
Records include all documentation supporting construction fund projects, including acquisitions, capital assets, depreciation schedules, fixed assets, material transfer files, mortgage ledgers, facility/plant ledgers, property detail reports, property inventory reports, and reports on property sold.
Retention Time Period
Original: Retain permanently in office of origin.

*CAPITAL ACCOUNTING PROJECT BUDGETS*
Records include budget-related records (allotments) for construction fund projects.
Retention Time Period
Original: Fiscal year of creation + 6 years, thereafter destroy.

i. <u>Capital Asset Inventory and Surplus Property Records</u>

*CAPITAL AND NON-CAPITAL EQUIPMENT INVENTORIES*
Records include running inventories of capital equipment such as motor vehicles, audio-visual equipment, computers, printing and mailing equipment, production copiers, tools lab equipment, furniture, etc., which describes each piece of property, denote its location, and provide totals of each type of equipment owned by the college (fixed assets). Also included are the same types of inventories for non-capital equipment such as office supplies, computers, commodities, parts, and materials (non-fixed assets).
Retention Time Period
Original: Fiscal year of creation + 6 years, thereafter destroy.

*PROPERTY DISPOSITION RECORDS*
Records include documentation that identifies property and tracks its disposition.

Included are requests for disposal of property, receipts, duplicates of reporting forms and supporting documentation that describes the property and the proposed method of disposition. Records may also include acquisition information and depreciation schedules.
Retention Time Period
Original: Date of disposition + 6 years, thereafter destroy.

j. <u>Gift/Grant-Related Accounting Records</u>

*GRANT FOLDERS: FEDERAL AND NON-FEDERAL*
Records include transmittals, awards, budgets, and all other documentation related to the procurement of federal grants. Also included are all reports, forms, and documentation related to PAR reports, as well as reports and supplemental information for verification of grants and contracts.
Retention Time Period
Original: Date of financial report or close of grant + 6 Years, thereafter destroy.

*GIFT AND ENDOWMENT FOLDERS: GIFTS AND ENDOWMENTS*
Records include transmittals, awards, budgets, gift receipts, donor and all other documentation related to the procurement of gifts and endowments.
Retention Time Period
Original: Retain permanently in office of origin.

*ALLOCATIONS*
Records include all documentation used to verify the fringe, indirect cost, and Facilities and Administration (F&A) allocation processes for grants.
Retention Time Period
Original: Fiscal year of grant's awarding + 6 years, thereafter destroy.

*LINE OF CREDIT: DRAWDOWN INFORMATION*
Records include all documentation used to determine draw amounts against federal grants' Letters of Credit.
Retention Time Period
Original: Date of submission of LOC draw request + 6 years, thereafter destroy.

*FACILITIES AND ADMINISTRATION (F&A) COST RATE PROPOSALS*
Records include rate proposals, cost allocation plans, and computations.
Retention Time Period
Original: Date of submission of proposal + 6 years, thereafter destroy.

Controller's Office
Records Retention Schedule
Effective: May 1, 2009; updated May 2013

| **Record Category** | **Retention Schedule** | **Transfer to Archives** | **Responsible Department** |
|---|---|---|---|
| **Account Payable** | | | |
| A/P Vouchers | FY +6 years | | Accounts Payable |
| Cancelled/voided checks | FY +6 years | | Accounts Payable |
| | | | |
| **Administrative** | | | |
| Policies and Procedures | Superseded +3 yrs | | *Various |
| Manuals | Superseded +3 yrs | | *Various |
| | | | |
| **Banking** | | | |
| Bank recs and Statements | FY +6 years | | Senior Accountant |
| | | | |
| **Cashiers Office** | | | |
| Daily cash receipts | FY +4 years | | Cashier |
| Duplicate deposit slips | FY +4 years | | Cashier |
| Credit card information | 0 years | | Cashier – see PCI policy |
| **Fixed Assets** | | | |
| New equipment invoices | Permanent | X | Accounting Manager |
| Reports for bldg/land addition | Permanent | X | Accounting Manager |
| Monthly depreciation schedules (equip & bldg) | Permanent | X | Accounting Manager |
| Construction in Process | FY +6 years | | Accounting Manager |
| Fed Funded Capital Projects and Equipment | Issue Date+30 yrs | | Accounting Manager |
| | | | |
| **General Accounting** | | | |
| Journal entries | FY +4 years | | *Various |
| Monthly trial balance | FY +4 years | | Controller |
| FYE trial balance | FY +4 years | | Controller |
| Audited Financial Statements | Permanent | X | Controller |
| Financial Statement work papers | FY +6 years | | *Various |
| Procurement card reviews | FY +4 years | | PC Manager |
| Inventory reports | FY +4 years | | *Various |
| Accounts Receivables | FY +6 years | | Accounting Manager |
| | | | |
| **Grants** | | | |
| Grant files/Bonds | Close date +6 yrs | | Accounting Manager |

| | | | |
|---|---|---|---|
| Federal cash transaction rpt. | FY +4 years | | Accounting Manager |
| **Gifts and Endowments** | | | |
| Endowment files | Permanent | X | Controller |
| Restricted gifts | Permanent | X | Controller |
| Deferred gift files | Permanent | X | Controller |
| Deferred gift tax returns | Permanent | X | Controller |
| Annual giving gift receipts | Permanent | X | Controller |
| | | | |
| **Investments** | | | |
| Stock and Bond Certificates | Mature +25 yrs | X | Treasury Manager |
| Stock dividend checks, cancelled | FY +6 years | | Treasury Manager |
| Stock transfer | Permanent | X | Treasury Manager |
| Write up and approval | Divestment +7 yrs | | Treasury Manager |
| Subscription Documents | Divestment +7 yrs | | Treasury Manager |
| Monthly Statements | Until Qtrly verify | | Treasury Manager |
| Quarterly Reports | Divestment +7 yrs | | Treasury Manager |
| Limited Partnership Agreements | Divestment +7 yrs | | Treasury Manager |
| Investment Management Agreements | Divestment +7 yrs | | Treasury Manager |
| Redemption/Divestment Notices | Divestment +7 yrs | | Treasury Manager |
| Wire Support Records | Divestment +7 yrs | | Treasury Manager |
| Due Diligence Research | FY +3 years | | Treasury Manager |
| | | | |
| **Payroll** | | | |
| W-2 forms | CY +4 years | | Payroll Manager |
| Payroll distribution reports | CY +4 years | | Payroll Manager |
| Payroll tax register receipts | CY +4 years | | Payroll Manager |
| Cancelled/voided checks | CY +4 years | | Payroll Manager |
| Time cards | CY +4 years | | Payroll Manager |
| | | | |
| **Tax** | | | |
| Form 990 | FY +6 years | | Controller |
| Form 990T | FY +6 years | | Controller |
| Form 1098T | FY +6 years | | Tax Manager |
| Form 1099 | FY +6 years | | Accounts Payable |
| All other tax forms | FY +6 years | | *Various |
| | | | |
| **Other** | | | |
| A-133 workpapers | Permanent | | Controller |
| Audited Financial Statements | FY +6 years | | Controller |

* Various departments may have these forms or items filed in their department…