

**THREE RIVERS COLLEGE  
FINANCIAL REGULATION**

Section: 3000 Financial	
Sub Section: 3600 Property	
Title: FR 3610 Capital Assets and Inventory	Page 1 of 3
Associated Policy: FP 3601 College Property	
References: GASB Codification 1400, 1600, and 2200; IRS Publication 225 Chapters 4 and 7	
Supersedes: NA	
Responsible Administrator: Chief Financial Officer	
Initial Approval: 04-19-2017	Last Revision: 03-27-2019

Three Rivers College defines and establishes rules for the oversight of capital assets and inventory. Records of capital assets and inventory are maintained by the Chief Financial Officer. The College President provides oversight to all proceedings regarding this regulation. The authority for oversight may be granted upon approval by the College President or his/her designee. The records regarding college property and inventory as well as the disposal of said property, shall be made available to the public through the Chief Financial Officer.

For financial reporting purposes, the college is considered a special purpose government engaged in business-type activities. Accordingly, the college's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this measurement basis and focus of accounting, costs that benefit more than one year are capitalized and depreciated or amortized over their useful lives.

### **Capital Assets**

Capital assets are defined by the college as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift.

Capital assets may include property, plant, equipment, and infrastructure assets such as roads and sidewalks. Livestock shall be considered a capital asset if it meets the criteria defined in IRS Publication 225 Chapter 4. Generally, livestock shall be capitalized if it is acquired for draft, breeding, sport, or dairy.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The college considers construction projects and improvements with a cost of \$20,000 or more to be major outlays.

Property, plant and equipment of the college are depreciated using the straight-line method over the following useful lives:

- Buildings and improvements 20-40 years
- Infrastructure 15-20 years

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- Land improvements 20 years
- Library materials 10 years
- Furniture, fixtures and equipment 5 years
- Livestock 12 years

**Inventory**

Inventory includes property, plant, equipment, and infrastructure with an initial cost between \$500 and \$4,999 and an estimated useful life in excess of one year. Such assets are monitored by the college inventory system to ensure investments are safeguarded. However, the cost of purchasing these items is treated as expenses for financial reporting purposes.

**Inventory for Resale**

Inventory for resale consists of bookstore merchandise and is valued at the lower of cost or market determined on the first-in, first-out basis for financial reporting purposes.

Livestock acquired for sale or slaughter will be recorded as inventory for resale in the financial records at the end of the fiscal year.

All capital assets, inventory and inventory for resale shall be verified at least annually through a physical examination and comparison to college records.

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**DOCUMENT HISTORY:**

- 04-19-2017:** Initial approval of regulation FR 3610 Capital Assets and Inventory.
- 03-27-2019:** Inclusion of livestock clause per IRS Publication 225, Chapters 4 and 7.