

Capital Assets and Depreciation

Capital Assets

Educational Service District 112 shall establish and maintain standard procedures for capitalizing fixed assets and facilitating the identification, reporting and safeguarding of assets in compliance with generally accepted accounting principles and the Accounting Manual for Educational Service Districts.

In compliance with generally accepted accounting principles, fixed assets are defined as any capital purchase, dedication of land, buildings, improvements, equipment, and/or software in excess of ESD's capitalization threshold, which shall be established as follows, for a single acquisition, and with a useful life of five years or more:

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| • Fiscal years starting September 1, 2015 to August 31, 2020 | \$15,000 |
| • Fiscal years starting September 1, 2020 | \$20,000 |
| • Fiscal years starting September 1, 2022 | \$30,000 |

Leases

Leases shall be accounted for under generally accepted accounting principles. Lease assets with total payments over the lease term of \$50,000 or greater shall be capitalized if the following conditions are met:

- The lease agreement is a right-to-use rather than a lease-to-own agreement.
- The noncancellable lease term is greater than 12 months. The lease term includes any periods in which the lessee or lessor has the sole option to extend the lease (if reasonably certain the option will be exercised). The lease term also includes any periods in which the lessee or lessor has the sole option to terminate the lease (if reasonably certain the option will not be exercised). Periods in which both the lessee or lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancelable periods and are excluded from the lease term regardless of whether it is reasonably certain that option will be exercised.

Generally, the capitalization threshold applies to each lease contract instead of each asset within the contract. If a lease agreement involves multiple assets with different lease terms, each asset or group of assets with a different lease term should be treated as a separate contract.

Contracts that are entered into at or near the same time with the same counterparty should be considered part of the same contract if either a) the contracts are negotiated as a package with the same objective, or b) the amount of consideration to be paid in one contract depends on the price or performance of the other contract.

Theft-Sensitive Assets

For purposes of this policy "theft-sensitive" assets are those identified by ESD as most subject to loss and of material cost and/or impact if lost. Theft-sensitive assets shall be inventoried and monitored in accordance with procedures that are adopted to implement this policy.

Depreciation

The Superintendent or designees shall depreciate fixed assets using the straight-line method of the estimated useful lives for classes of assets, as defined by Chapter 30 of the Washington State Administrative & the Accounting Manual for Educational Service Districts, consistent with the following:

- A. Depreciation represents the recognition of the cost of an asset over time by calculating its estimated loss in value during each accounting period;
- B. Generally accepted accounting principles allow ESD to use any established depreciation method;

- C. The Accounting Manual for Educational Service Districts allows ESD to use any established depreciation method based on a reasonable estimate of the length of time that the asset is expected to be used in operations.
- D. Assets may be capitalized and depreciated as a single unit purchase, as a grouped item purchase or based on component units, per evaluation of the most reasonable basis for treatment of the capitalized asset.

Books and Records

The Superintendent or designees shall maintain real and personal property records aligned with requirements of local government agencies in the state of Washington.

The Superintendent or designees shall develop procedures to implement this policy. This policy, and implementing procedures, shall be retroactive to September 1, 2015.

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