Capital Assets

Fixed Assets
Educational Service District 112 shall establish and maintain standard procedures for capitalizing 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.

Fixed assets are defined as tangible capital purchase, dedication of land, buildings, improvements, or equipment, 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:

- Fiscal years beginning September 1, 2015 through August 31, 2020 $15,000
- Fiscal years beginning September 1, 2020 through August 31, 2021 $20,000
- Fiscal years beginning September 1, 2022 $30,000

Fixed assets are depreciated using the straight-line method over the estimated asset's useful life. The useful life of an asset will be reviewed periodically, especially when significant changes occur—such as shifts in usage, technological advancements, or changes in maintenance and condition—that may affect the asset's longevity.

Assets may be capitalized and depreciated as a single unit purchase, a grouped item purchase; or based on component units, depending on the most reasonable and practical basis for capitalization and depreciation.

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. SBITS are amortized using the straight-line method over the shorter of the subscription term of the useful life of the asset.

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.

Leases are amortized using the straight-line method over the lease term or useful life of the asset if a purchase option is reasonably certain to be exercised.

Subscription- based Information Technology Arrangements (SBITA)

For subscription-based information technology arrangements with total payments over the subscription term plus capitalizable implementation costs (such as configuration, coding, testing) of $50,000 or greater shall be capitalized if the subscription term is greater than 12 months. The subscription term is the period during which the ESD has a noncancelable right to use an underlying IT asset, including any periods covered by:

- The option to extend the SBITA if it is reasonably certain that option will be exercised.
- The option to terminate the SBITA if it is reasonably certain that option will not be exercised. Periods for which both the ESD and the vendor have an option to terminate the contract without permission from the other party (or if both parties must agree to extend) are cancellable periods and are excluded from the subscription term, regardless of whether it is reasonably certain that option will be exercised.

SBITS are amortized using the straight-line method over the shorter of the subscription term of the useful life of the asset.

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.

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.

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