

Procedure: Capital Assets and Depreciation

Asset Value

Capital assets are valued at their historical cost. In the absence of historical cost information, the asset's estimated historical cost may be assigned and used.

The historical cost of a capital asset includes, but is not limited, to the following:

- Cost of the asset
- Ancillary charges paid to acquire the asset (including related taxes, commissions, consultant fees, etc.)
- Ancillary charges necessary to place the asset in its intended location
- Ancillary charges necessary to place the asset in its intended condition for use
- Any subsequent improvements that meet the qualifications listed in Board Policy 6801 Depreciation.

In compliance with the Accounting Manual for Educational Service Districts, donated capital assets are not recorded as fixed assets; donated assets material to ESD 112's operations shall be disclosed in Notes to the Financial Statements in the year the asset is donated. If a donated asset is sold, revenues shall be reported in the year of sale.

Grouped Assets

Individual assets that cost less than the policy threshold, but that operate as part of a pooled asset or networked system shall be capitalized in the aggregate, using the group method if the estimated average useful life of the individual asset is five years or more. An asset pool or network is determined to be where individual components may be below the capitalization policy threshold, but are interdependent and the overriding value to the District is on the entire pool or network purchase, not the individual asset. Examples include construction projects, office furniture systems, computer networks, etc.

Improvements versus Maintenance Costs

Asset improvements costs which are at or over the capitalization threshold shall be capitalized if:

- The estimated life of the asset is extended by more than 25%, or
- The improvement results in an increase in the capacity of the asset, or
- The efficiency of the asset is increased by more than 10%, or
- Improvements significantly change the character of the asset.

In circumstances where a capitalized improvement replaces an asset currently on the asset records, the replaced asset shall be removed from the asset records (e.g., roof replacement).

Improvements that do not meet these criteria shall be expensed as ordinary repair & maintenance in the year of expense.

Assets Below the Capitalization Policy Threshold

ESD 112 shall report assets which do not meet the capitalization threshold as current expenditures of consumable supplies. Such assets that are identified as "theft sensitive"

shall be listed in inventory records to maintain adequate control and safeguard District property. Examples of theft sensitive assets include computers and other technology purchases.

Inventory Records

ESD 112 shall maintain inventory records of capitalized assets and of consumable purchases identified as "theft sensitive". The asset inventory record shall contain the information necessary to identify each item or lot in the inventory in compliance with guidelines set forth in the Accounting Manual for Educational Service Districts.

ESD 112 shall maintain an asset tag system for all capital and theft-sensitive equipment purchases to facilitate inventory control.

Periodic audits will be performed to verify that items in the inventory listing are still located on District property for use by District personnel or stakeholders and are in current use.