

**Document Code No.:** FIN-12-2-1-EP

**Title:** Capital Asset Accounting after Acquisition

**Affected Agencies:** All King County Executive Branch Agencies

**Authorities:** 43.09.200 RCW; 3.3 Budgeting, Accounting, and Reporting System Manual

**Keywords:** Capital; Asset

**Sponsoring Agency:** Finance and Business Operations Division

**Type of Action:** Supersedes FIN-12-2-EP



**King County**

**Executive signature:** *Girmay Zabihay*

**Date signed and effective:** 5/6/2026

## I. Purpose

Establishes uniform accounting practices for the County's real and personal property to ensure accurate financial reporting and to establish departmental responsibility in the maintenance of the County's capital asset system. Excluded from this policy are roads and bridges, which are covered by FIN-12-3-1-EP.

### Applicability and Audience

This policy applies to all Executive Branch agencies and administrative offices. The audience may include any non-Executive Branch King County departments adopting this policy.

## II. Definitions

"Amortization": The systematic and rational allocation of the cost of an intangible asset over its estimated useful life.

"Betterment": an expenditure that improves the quality (improves the efficiency and/or effectiveness of the asset) or extends the life of an asset. If the asset was impaired, betterment includes restoration costs to restore service capacity or life of the asset.

"Blended Component Unit": When a legally separate organization for which the elected officials of the Primary Government are financially accountable functions as an integral part of the Primary Government, its financial data are presented with those of the Primary Government in the Primary Government's financial statements.

"Capitalize": To report monies utilized to acquire capital assets as capital outlays (governmental funds) or as capital assets (proprietary funds) instead of as expenditures or expenses in the Statement of Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Position.

"Depreciation": The systematic and rational allocation of the cost of a tangible capital asset over its estimated useful life.

"Historical Cost": The cost associated with purchasing or constructing an asset and placing that asset into service.

"Impairment": A significant, unexpected, and permanent decrease in the service utility of a capital asset that will continue to be used in operations. A decrease in service utility is unexpected if it is not part of the normal life cycle of the asset and was not anticipated when the asset was originally placed into service. Asset impairment can originate from

many different sources including but not limited to damage, changes in laws and regulations impacting asset utility, technological obsolescence, or a change in the manner or duration of use.

"Intangible Asset": An asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period / calendar year. Examples of intangible assets are easements, rights of way, patents, trademarks, and rights to use created by contract (leases, PPPs, etc.).

"Leasehold Improvements": Costs used to increase the service capacity of a leased asset.

"PPP": Public-Private and Public-Public Partnerships are arrangements between King County and another entity that are engaged in providing services to the County's constituents.

"Primary Government": A state government or general purpose local government. Also, a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

### III. Policy

#### A. Depreciation and Amortization

1. The County Depreciates or Amortizes capital assets using the straight-line method over an estimated useful life with zero salvage value. Leasehold improvements are amortized over the life of the improvements or the term of the lease, whichever is shorter.

2. Estimated useful life will fall within the range provided in this section. Exceptions must be approved by the Chief Accountant at the time of asset capitalization.

- a. Buildings and building improvements: 15 to 50 years
- b. Improvements other than buildings: 10 to 30 years
- c. Depreciable infrastructure: 20 to 50 years
- d. Equipment: 3 to 20 years
- e. Intangible assets with finite useful lives 3 to 50 years

3. Asset estimated useful life must be set at time of capitalization to reflect an agency's historic experience with similarly situated assets. In the absence of historic experience, agencies will use the ranges above which the Finance and Business Operations Division (FBOD) will reassess at least every 10 years.

4. Assets purchased and received, but not yet placed into service and not subject to obsolescence by the passage of time (e.g. technology assets), shall be capitalized when received and have depreciation suspended until placed into service.

5. The following asset classes do not lose value over time, and thus are not depreciated

- a. Land
- b. Permanent Easements
- c. Collections (works of art and historical artifacts)
- d. Intangible assets with indefinite useful lives

6. Intangible assets are amortized over the useful life of the asset, not to exceed the remaining life of the underlying contract or patent award which gave rise to the asset.

## **B. Impairment and Insurance Recoveries**

1. Agencies must report an asset Impairment to FBOD when the costs to restore service capacity of the asset to its pre-impairment level equal or exceed 20% of asset's net book value at the time of impairment, and the restoration costs equal or exceed \$1,000,000. For grant-funded assets, Impairments at lower levels (percentage or dollar amount) shall be reported if required by the terms and conditions of the grant which funded the asset.

2. Insurance recoveries related to impaired assets are reported as follows based on the type of fund involved.

- a. In governmental funds, report the insurance recovery as a separate transaction from the related loss when realized and available.
- b. In proprietary funds, net the insurance recovery against the related loss if the insurer has acknowledged coverage for the loss in the same year as the impairment. If the insurance recovery arrives in a subsequent financial reporting period, it must be recorded in the same manner (non-operating revenue, special item, or extraordinary item) as the original loss.

## **C. Inventory**

### **1. Personal Property**

All agencies shall conduct a physical inventory of personal property capital assets at least annually to verify their existence, location and status. Missing personal property assets will be reported to FBOD.

### **2. Real Property**

Those agencies authorized under section 4.56.060 King County Code (KCC) to manage real property shall conduct a reconciliation of their real property assets to Oracle EBS, or its successor system of record, at least annually and shall report any discrepancies to FBOD.

## **D. Retirement, Loss, and Disposal**

1. Agencies shall report the retirement or disposal of assets to the Department of Executive Services within 45 days of disposition as follows:

- a. Personal property: FBOD
- b. Real property: Real Estate Services Section, Facilities Management Division

2. The Fleet Services Division will transmit notification of personal property assets processed at the Surplus Warehouse or at auction within 45 days of the

end of the month when sold or disposed. Real Estate Services will transmit notification of the disposition of real property assets to FBOD within 45 days following the end of each month disposed. FBOD will compute and record the associated gain or loss on disposal for both personal and real property assets.

3. If betterment and/or improvement is capitalized and replaces a component of an existing asset, the original cost and associated accumulated depreciation of the replaced component must be reported to FBOD and removed from the capital asset system. If the cost is not readily determinable, the following methods of estimating the historical costs are allowed.

- a. standard costing (using old catalogs, pricelists or determining what other governments paid for an equivalent asset at the same time)
- b. normal costing (determining the cost to acquire the asset in current year dollars, and then deflating it to the year of acquisition using a relevant price index).

4. Capital assets still in service, but fully depreciated, remain on the books until disposed.

5. Agencies which used Federal grant funds to purchase an asset now proposed for transfer or disposal must additionally follow the requirements of Executive Policy FIN 16-1.

#### **E. Financial Reporting**

1. FBOD will report capital assets in the County's financial statements in accordance with all applicable governmental accounting standards.

2. The Assets module of Oracle EBS shall be the official capital asset subsidiary ledger, serving as the source of balances presented in the County's financial statements.

3. Transfers of assets between agencies in the primary government, or between the primary government and blended component units, are recorded at net book value on the date of transfer and may not result in a gain or loss.

#### **F. Notifications**

When this policy requires notification to FBOD, submit the required notification via email to [Asset.OracleEBS@kingcounty.gov](mailto:Asset.OracleEBS@kingcounty.gov).

### **IV. Implementation Plan**

A. This policy becomes effective for Executive Branch agencies on the date that it is signed by the Executive. The Finance and Business Operations Division is responsible for implementation of this policy.

B. The Finance and Business Operations Division is responsible for communicating this policy to the management structure within Executive Branch agencies and other appropriate parties.

- C. Requests for exceptions to any provisions of this policy should be directed to the Director of the Finance and Business Operations Division.

**V. Maintenance**

- A. This policy will be maintained by the Finance and Business Operations Division, or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by the Finance and Business Operations Division, or its successor agency prior to the expiration date.

**VI. Consequences for Noncompliance**

- A. Failure to comply with this policy could result in audit findings, and/or loss of the public's trust in their government's ability to manage capital assets. In accordance with Generally Accepted Auditing Standards, audit findings are reported to the Metropolitan King County Council's Government Accountability and Oversight, or its successor, committee.