

NOTE 6 – CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 635,743	\$ 65,887	\$ (15,395)	\$ 686,235
Infrastructure	800,818	113,448	(3,743)	910,523
Work in progress	51,419	33,822	(33,178)	52,063
Total capital assets not being depreciated	<u>1,487,980</u>	<u>213,157</u>	<u>(52,316)</u>	<u>1,648,821</u>
Capital assets being depreciated				
Buildings	631,852	13,433	(34)	645,251
Improvements other than buildings	31,120	-	(428)	30,692
Equipment	188,767	27,920	(13,009)	203,678
Total capital assets being depreciated	<u>851,739</u>	<u>41,353</u>	<u>(13,471)</u>	<u>879,621</u>
Less accumulated depreciation for:				
Buildings	(164,111)	(19,324)	31	(183,404)
Improvements other than buildings	(4,570)	(1,194)	4	(5,760)
Equipment	(116,842)	(23,856)	9,965	(130,733)
Total capital assets being depreciated - net	<u>566,216</u>	<u>(3,021)</u>	<u>(3,471)</u>	<u>559,724</u>
Governmental activities capital assets - net	<u>\$ 2,054,196</u>	<u>\$ 210,136</u>	<u>\$ (55,787)</u>	<u>\$ 2,208,545</u>
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 243,140	\$ 42,418	\$ (2,750)	\$ 282,808
Work in progress	785,068	335,137	(424,664)	695,541
Total capital assets not being depreciated	<u>1,028,208</u>	<u>377,555</u>	<u>(427,414)</u>	<u>978,349</u>
Capital assets being depreciated				
Buildings	793,349	113,191	(2,601)	903,939
Improvements other than buildings	1,524,129	226,520	(6,883)	1,743,766
Equipment	1,829,507	63,479	(96,046)	1,796,940
Total capital assets being depreciated	<u>4,146,985</u>	<u>403,190</u>	<u>(105,530)</u>	<u>4,444,645</u>
Less accumulated depreciation for:				
Buildings	(298,073)	(23,952)	610	(321,415)
Improvements other than buildings	(612,577)	(49,356)	1,995	(659,938)
Equipment	(1,008,583)	(120,001)	85,290	(1,043,294)
Total capital assets being depreciated - net	<u>2,227,752</u>	<u>209,881</u>	<u>(17,635)</u>	<u>2,419,998</u>
Business-type activities capital assets - net	<u>\$ 3,255,960</u>	<u>\$ 587,436</u>	<u>\$ (445,049)</u>	<u>\$ 3,398,347</u>

All but one of the County's internal service funds are classified under governmental activities for government-wide reporting. The Wastewater Equipment Rental Fund's capital assets and depreciation are reported under business-type activities.

NOTE 6 – CONTINUED**Depreciation Expense**

Depreciation expense was charged to functions of the Primary Government as follows (in thousands):

Governmental Activities	
General government services	\$ 16,882
Law, safety and justice	12,093
Physical environment	244
Transportation	752
Economic environment	241
Mental and physical health	2,119
Culture and recreation	2,008
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	7,486
Total depreciation expense – governmental activities	<u>\$ 41,825</u>
Business-type Activities	
Water Quality	\$ 88,155
Public Transportation	87,958
Solid Waste	12,655
King County International Airport	1,853
Radio Communications	1,627
Institutional Network	319
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	653
Total depreciation expense – business-type activities	<u>\$ 193,220</u>

Infrastructure

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in King County's infrastructure is the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach, i.e., depreciation is not recorded. The cost of preserving and maintaining the network of infrastructure over an indefinite period of time essentially substitutes for the depreciation factor. A government using the modified approach is required under GASB Statement No. 34 to demonstrate that it is maintaining its infrastructure at the acceptable, predetermined condition level by disclosing trend data on condition assessments and planned versus actual preservation costs. An important consequence of opting for the modified approach is that costs incurred to extend the asset's useful life (which are normally capitalized under the depreciation method) are now treated as expenditures for preservation.

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where

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the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

Land

Land also includes infrastructure-related right-of-way, conservation easements, and farmland development rights.

Right-of-Way

Estimated original historical costs for infrastructure-related right-of-ways were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

Conservation Easements

A conservation easement is a legal agreement between a landowner and the County that permanently limits land uses in order to protect conservation values.

Farmland Development Rights

The Farmland Preservation Program was established to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for over 12,500 acres since 1980. Acquisition of these development rights was intended to ensure that land is not developed in a nonagricultural use. The owner who sells development rights sells only a part of an owner's property rights and retains all other ownership rights.

Real Property Under Capital Lease

King County land and buildings include the capitalized cost of real property acquired using capital lease financing. Governmental capital assets under capital lease include the King Street Center (\$78.2 million), the Patricia Bracelin Steel Memorial Building (\$62.5 million), and the Issaquah District Court (\$5.9 million). These properties are legally owned by nonprofit property management companies who are leasing the buildings to the County under terms which are in-substance capital leases. Business-type capital assets under capital lease include a 150-stall parking facility (\$3.7 million) leased by the Public Transportation Enterprise.

Artwork

Artwork that meets the threshold of \$1 thousand is capitalized under Furniture, machinery and equipment.

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the next fiscal year. These commitments, totaling about \$1.9 billion, will be funded from existing net assets in proprietary funds of \$1.3 billion and existing capital projects fund undesignated fund balances of \$57.1 million. The balance is anticipated to come from future borrowing, federal and state grants, and contributions from other funds.

Proprietary Funds

Public Transportation Enterprise – \$333.9 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

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Water Quality Enterprise – \$1.1 billion is committed to constructing a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises – \$83.8 million is committed to improving the County's solid waste regional landfill and transfer stations; \$40.9 million is committed to runway rehabilitation and terminal building improvements at the King County International Airport.

Capital Projects Funds

\$378.6 million is committed to various capital projects, including: 1) property acquisitions related to the conservation of natural resources, protection of habitat, and control of urban sprawl; 2) development and improvement of trails, fairgrounds, playgrounds and ballfields and other cultural facilities; 3) affordable housing development; 4) technology initiatives to improve business operations, human resources management, emergency preparedness, and overall network security; 5) flood control to protect the ecosystem and public property; 6) preservation and widening of roads and bridges; and 7) improvements and maintenance of buildings.

Discretely presented component units**Harborview Medical Center (HMC)**

Capital assets activity for HMC for their fiscal year ended June 30, 2005, was as follows (in thousands):

	<u>Balance</u> <u>07/01/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/05</u>
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	22,478	21,455	(1,041)	42,892
Total capital assets not being depreciated	<u>24,064</u>	<u>21,455</u>	<u>(1,041)</u>	<u>44,478</u>
Capital assets being depreciated:				
Buildings	186,755	723	(2,132)	185,346
Improvements other than buildings	1,363	-	-	1,363
Equipment	263,407	14,427	(4,083)	273,751
Total capital assets being depreciated	<u>451,525</u>	<u>15,150</u>	<u>(6,215)</u>	<u>460,460</u>
Less accumulated depreciation for:				
Buildings	(72,944)	(5,954)	1,648	(77,250)
Improvements other than buildings	(715)	(60)	-	(775)
Equipment	(153,198)	(18,887)	3,417	(168,668)
Total capital assets being depreciated - net	<u>224,668</u>	<u>(9,751)</u>	<u>(1,150)</u>	<u>213,767</u>
HMC capital assets, net	<u>\$ 248,732</u>	<u>\$ 11,704</u>	<u>\$ (2,191)</u>	<u>\$ 258,245</u>

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In addition, HMC owns property that is held for future use. These are included with "Other assets" in the Statement of Net Assets and at June 30, 2005, consisted of the following (in thousands):

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,718	\$ -
Buildings	83	(81)
Improvements other than buildings	26	(26)
Total	<u>\$ 2,827</u>	<u>\$ (107)</u>

A major construction program is currently ongoing at the Harborview Medical Center involving upgrades to existing hospital buildings, demolition of seismically unsound older buildings, and construction of new and replacement facilities. The program, started in 2001, is being funded by \$193.1 million in bonds and \$56.0 million in contributions from Harborview.

Washington State Major League Baseball Stadium Public Facilities District (WSMLB)

Capital assets activity for the WSMLB for the period ended December 31, 2005, was as follows (in thousands):

	<u>Balance 01/01/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/05</u>
Capital assets not being depreciated:				
Land	\$ 38,498	\$ -0-	\$ -0-	\$ 38,498
Capital assets being depreciated:				
Baseball stadium	489,091	-	-	489,091
Improvements other than buildings	13,442	2,850	-	16,292
Equipment	58	7	-	65
Total capital assets being depreciated	<u>502,591</u>	<u>2,857</u>	<u>-0-</u>	<u>505,448</u>
Less accumulated depreciation for:				
Baseball stadium	(67,589)	(12,565)	-	(80,154)
Improvements other than buildings	(336)	(71)	-	(407)
Equipment	(48)	(5)	-	(53)
Total capital assets being depreciated - net	<u>434,618</u>	<u>(9,784)</u>	<u>-0-</u>	<u>424,834</u>
WSMLB capital assets, net	<u>\$ 473,116</u>	<u>\$ (9,784)</u>	<u>\$ -0-</u>	<u>\$ 463,332</u>