

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 1/1/2008	Increases	Decreases	Balance 12/31/2008
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 735,883	\$ 53,714	\$ (18,102)	\$ 771,495
Infrastructure	927,868	56,440	(74,797)	909,511
Work in progress	115,593	118,351	(11,296)	222,648
Total capital assets not being depreciated	<u>1,779,344</u>	<u>228,505</u>	<u>(104,195)</u>	<u>1,903,654</u>
Capital assets being depreciated				
Buildings	755,015	28,476	(1,007)	782,484
Improvements other than buildings	20,991	1,199	-	22,190
Furniture, machinery & equipment	225,066	24,168	(59,867)	189,367
Total capital assets being depreciated	<u>1,001,072</u>	<u>53,843</u>	<u>(60,874)</u>	<u>994,041</u>
Less accumulated depreciation for:				
Buildings	(214,137)	(21,938)	-	(236,075)
Improvements other than buildings	(4,503)	(1,187)	91	(5,599)
Furniture, machinery & equipment	(145,340)	(28,706)	56,953	(117,093)
Total capital assets being depreciated - net	<u>637,092</u>	<u>2,012</u>	<u>(3,830)</u>	<u>635,274</u>
Governmental activities capital assets - net	<u>\$ 2,416,436</u>	<u>\$ 230,517</u>	<u>\$ (108,025)</u>	<u>\$ 2,538,928</u>
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 331,986	\$ 15,567	\$ (950)	\$ 346,603
Work in progress	1,363,452	604,860	(310,955)	1,657,357
Total capital assets not being depreciated	<u>1,695,438</u>	<u>620,427</u>	<u>(311,905)</u>	<u>2,003,960</u>
Capital assets being depreciated				
Buildings	1,073,609	91,352	(3,012)	1,161,949
Improvements other than buildings	2,061,594	118,762	(4,813)	2,175,543
Furniture, machinery & equipment	1,418,965	121,567	(43,968)	1,496,564
Total capital assets being depreciated	<u>4,554,168</u>	<u>331,681</u>	<u>(51,793)</u>	<u>4,834,056</u>
Less accumulated depreciation for:				
Buildings	(393,700)	(29,977)	1,703	(421,974)
Improvements other than buildings	(806,957)	(61,724)	1,773	(866,908)
Furniture, machinery & equipment	(938,059)	(97,963)	42,724	(993,298)
Total capital assets being depreciated - net	<u>2,415,452</u>	<u>142,017</u>	<u>(5,593)</u>	<u>2,551,876</u>
Business-type activities capital assets - net	<u>\$ 4,110,890</u>	<u>\$ 762,444</u>	<u>\$ (317,498)</u>	<u>\$ 4,555,836</u>

Governmental activities include capital assets of governmental internal service funds. All but one of the County's internal service funds is classified under governmental activities; the Wastewater Equipment Rental Fund is reported under business-type because it provides services exclusively to the Water Quality enterprise.

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Depreciation Expense

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

Governmental Activities	
General government services	\$ 13,624
Law, safety and justice	15,790
Physical environment	458
Transportation	1,438
Economic environment	459
Mental and physical health	3,294
Culture and recreation	3,147
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	13,621
Total depreciation expense – governmental activities	<u>\$ 51,831</u>

Business-type Activities	
Water Quality	\$ 76,399
Public Transportation	93,959
Solid Waste	13,496
King County International Airport	1,688
Radio Communications	1,436
Institutional Network	1,844
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	842
Total depreciation expense – business-type activities	<u>\$ 189,664</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 are 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. 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 expensed as preservation costs.

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

NOTE 6 – CONTINUED**Land**

Land also includes right-of-way (including infrastructure-related), 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 in 1979 to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for approximately 12,800 acres. Acquisition of these development rights was intended to ensure that land is not developed in a nonagricultural use.

Governmental Buildings in Internal Service Fund

Certain capital assets classified under governmental activities are reported under a building development and management internal service fund which consists of the aggregation of four separate non-profit property management corporations that are recognized as blended component units of the County in accordance with GASB Statement 14. These buildings are: King Street Center building; Patricia Bracelin Steel Memorial building; Chinook building and Goat Hill parking garage; and the Ninth and Jefferson Building (under construction).

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the capital budget period.

Proprietary Funds

Public Transportation Enterprise – \$680.6 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

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 – \$170.9 million is committed to improving the County's solid waste regional landfill and transfer stations; \$30.3 million is committed to runway rehabilitation and facilities improvements at the King County International Airport; \$1.9 million is committed to maintaining the radio communications systems within the county.

Capital Projects Funds

\$474.2 million is committed to various capital projects, including: 1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and control of urban sprawl; 2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; 3) affordable housing; 4) technology initiatives to improve business

NOTE 6 – CONTINUED

efficiency, emergency preparedness, and network security; 5) flood control to protect the ecosystem and public property; 6) preservation and widening of roads and bridges; and 7) improvement of building facilities.

Discretely Presented Component UnitsHarborview Medical Center (HMC)

Capital assets activity for HMC during the fiscal year ended June 30, 2008, was as follows (in thousands):

	<u>Balance</u> <u>07/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/08</u>
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	163,396	61,137	(8,265)	216,268
Total capital assets not being depreciated	<u>164,982</u>	<u>61,137</u>	<u>(8,265)</u>	<u>217,854</u>
Capital assets being depreciated:				
Buildings	189,051	2,733	-	191,784
Improvements other than buildings	1,626	232	-	1,858
Equipment	280,004	29,505	(11,331)	298,178
Total capital assets being depreciated	<u>470,681</u>	<u>32,470</u>	<u>(11,331)</u>	<u>491,820</u>
Less accumulated depreciation for:				
Buildings	(88,987)	(5,967)	-	(94,954)
Improvements other than buildings	(930)	(114)	-	(1,044)
Equipment	(185,599)	(20,065)	10,740	(194,924)
Total capital assets being depreciated - net	<u>195,165</u>	<u>6,324</u>	<u>(591)</u>	<u>200,898</u>
HMC capital assets, net	<u>\$ 360,147</u>	<u>\$ 67,461</u>	<u>\$ (8,856)</u>	<u>\$ 418,752</u>

HMC also owns other properties (net book value of \$2.7 million) which are held for future use. These are reported under "Other assets" in the component unit's statement of net assets.

NOTE 6 – CONTINUEDWashington State Major League Baseball Stadium Public Facilities District (PFD)

Capital assets activity for the PFD for the period ended December 31, 2008, was as follows (in thousands):

	<u>Balance</u> <u>01/01/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/08</u>
Capital assets not being depreciated:				
Land	\$ 38,498	\$ -	\$ -	\$ 38,498
Capital assets being depreciated:				
Baseball stadium	489,858	25	-	489,883
Improvements other than buildings	23,820	1,886	-	25,706
Equipment	65	-	-	65
Total capital assets being depreciated	<u>513,743</u>	<u>1,911</u>	<u>-</u>	<u>515,654</u>
Less accumulated depreciation for:				
Baseball stadium	(105,560)	(12,843)	-	(118,403)
Improvements other than buildings	(595)	(47)	-	(642)
Equipment	(64)	(1)	-	(65)
Total capital assets being depreciated - net	<u>407,524</u>	<u>(10,980)</u>	<u>-</u>	<u>396,544</u>
PFD capital assets, net	<u>\$ 446,022</u>	<u>\$ (10,980)</u>	<u>\$ -</u>	<u>\$ 435,042</u>