

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 – CAPITAL ASSETS****Primary Government**

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

**CHANGES IN CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/04</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 590,737,560	\$ 66,947,790	\$ (21,942,315)	\$ 635,743,035
Infrastructure	714,003,704	101,340,559	(14,525,945)	800,818,318
Work in progress	117,811,899	47,314,912	(113,708,091)	51,418,720
Total capital assets not being depreciated	<u>1,422,553,163</u>	<u>215,603,261</u>	<u>(150,176,351)</u>	<u>1,487,980,073</u>
Capital assets being depreciated				
Buildings	502,128,877	160,699,871	(30,976,830)	631,851,918
Improvements other than buildings	1,189,149	16,576,674	-	17,765,823
Equipment	202,459,022	23,301,535	(23,639,432)	202,121,125
Total capital assets being depreciated	<u>705,777,048</u>	<u>200,578,080</u>	<u>(54,616,262)</u>	<u>851,738,866</u>
Less accumulated depreciation for:				
Buildings and improvements	(158,765,116)	(17,042,540)	8,501,889	(167,305,767)
Equipment	(112,517,049)	(19,567,146)	13,866,729	(118,217,466)
Total capital assets being depreciated - net	<u>434,494,883</u>	<u>163,968,394</u>	<u>(32,247,644)</u>	<u>566,215,633</u>
Governmental activities capital assets - net	<u>\$ 1,857,048,046</u>	<u>\$ 379,571,655</u>	<u>\$ (182,423,995)</u>	<u>\$ 2,054,195,706</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 225,514,722	\$ 17,906,418	\$ (280,741)	\$ 243,140,399
Work in progress	629,257,432	489,846,964	(334,036,396)	785,068,000
Total capital assets not being depreciated	<u>854,772,154</u>	<u>507,753,382</u>	<u>(334,317,137)</u>	<u>1,028,208,399</u>
Capital assets being depreciated				
Buildings	755,717,357	38,443,529	(812,355)	793,348,531
Improvements other than buildings	1,466,075,778	59,251,680	(1,198,397)	1,524,129,061
Equipment	1,660,271,868	208,669,929	(39,435,160)	1,829,506,637
Total capital assets being depreciated	<u>3,882,065,003</u>	<u>306,365,138</u>	<u>(41,445,912)</u>	<u>4,146,984,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(839,719,241)	(68,928,933)	1,740,556	(906,907,618)
Equipment	(929,187,847)	(109,644,262)	26,506,158	(1,012,325,951)
Total capital assets being depreciated - net	<u>2,113,157,915</u>	<u>127,791,943</u>	<u>(13,199,198)</u>	<u>2,227,750,660</u>
Business-type activities capital assets - net	<u>\$ 2,967,930,069</u>	<u>\$ 635,545,325</u>	<u>\$ (347,516,335)</u>	<u>\$ 3,255,959,059</u>

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**NOTE 6 – CONTINUED**

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.

**Depreciation Expense**

Depreciation expense was charged to functions of the Primary Government as follows:

<b>Governmental Activities</b>	
General government services	\$ 9,268,678
Law, safety and justice	12,680,072
Physical environment	371,977
Transportation	1,922,684
Economic environment	240,908
Mental and physical health	2,340,821
Culture and recreation	2,015,112
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	<u>7,769,434</u>
Total depreciation expense – governmental activities	<u><u>\$ 36,609,686</u></u>
<b>Business-type Activities</b>	
Water	\$ 88,421,735
Transit	71,025,539
Solid Waste	6,656,782
Airport	1,612,904
Radio Communications	2,026,333
Institutional Network	454,617
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	<u>480,279</u>
Total depreciation expense – business-type activities	<u><u>\$ 170,678,189</u></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

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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 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 right-of-way and farmland development rights.

**Right-of-Way Assets**

Estimated historical costs for these assets 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.

**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. "Development rights" are the rights to develop land for any uses other than farming or open space. 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 costs of 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 private property management companies who are leasing the buildings to the County under terms which are in-substance capital leases. The rental payments collected include the monthly debt service costs of the privately issued bonds used to construct the buildings. The lease contracts provide for a bargain purchase option at the end of the lease term. The capital lease obligations are reported as government-wide long-term liabilities.

**Artwork**

Artwork that meets the threshold of \$1,000 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 \$1.7 billion, will be funded from existing restricted net assets in proprietary funds of \$1.3 billion and existing capital projects fund undesignated fund

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balances of \$400.0 million. The balance is anticipated to come from future borrowing, federal and state grants, and contributions from other funds.

Proprietary Funds

Public Transportation Enterprise – \$240.2 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

Water Quality Enterprise – \$977.9 million 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 Enterprise – \$75.1 million is committed to improving the County's solid waste facilities and \$32.6 million is committed to improvements at the King County International Airport.

Capital Projects Funds

\$400.6 million is committed to the acquisition or development of capital improvements, including new building construction, building improvements, seismic upgrades, energy conservation, acquisition of open space and preservation easements, road construction and maintenance, improvements within the surface water management program, and repair and replacement of general government facilities.

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

Capital assets activity for HMC for their fiscal year ended June 30, 2004, was as follows:

	<b>Balance 07/01/03</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 06/30/04</b>
Capital assets not being depreciated:				
Land	\$ 1,585,972	\$ -	\$ -	\$ 1,585,972
Work in progress	17,329,724	7,131,229	(1,982,868)	22,478,085
Total capital assets not being depreciated	<u>18,915,696</u>	<u>7,131,229</u>	<u>(1,982,868)</u>	<u>24,064,057</u>
Capital assets being depreciated:				
Buildings	185,307,391	1,447,225	-	186,754,616
Improvements other than buildings	1,363,313	-	-	1,363,313
Equipment	244,358,415	21,349,544	(2,299,995)	263,407,964
Total capital assets being depreciated	<u>431,029,119</u>	<u>22,796,769</u>	<u>(2,299,995)</u>	<u>451,525,893</u>
Less accumulated depreciation for:				
Buildings	(66,591,472)	(6,352,862)	-	(72,944,334)
Improvements other than buildings	(652,079)	(62,762)	-	(714,841)
Equipment	(136,844,914)	(17,961,751)	1,608,648	(153,198,017)
Total capital assets being depreciated - net	<u>226,940,654</u>	<u>(1,580,606)</u>	<u>(691,347)</u>	<u>224,668,701</u>
HMC capital assets, net	<u>\$ 245,856,350</u>	<u>\$ 5,550,623</u>	<u>\$ (2,674,215)</u>	<u>\$ 248,732,758</u>

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In addition, HMC owns property that is held for future use which at June 30, 2004, consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,717,798	\$ -
Buildings	1,898,973	(711,357)
Improvements other than buildings	26,344	(26,344)
Total	<u>\$ 4,643,115</u>	<u>\$ (737,701)</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, 2004, was as follows:

	<u>Balance 01/01/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/04</u>
Capital assets not being depreciated:				
Land	\$ 38,498,454	\$ -	\$ -	\$ 38,498,454
Capital assets being depreciated:				
Baseball stadium	488,841,352	250,000	-	489,091,352
Improvements other than buildings	10,931,682	2,509,926	-	13,441,608
Equipment	46,150	11,616	-	57,766
Total capital assets being depreciated	<u>499,819,184</u>	<u>2,771,542</u>	<u>-0-</u>	<u>502,590,726</u>
Less accumulated depreciation for:				
Baseball stadium	(55,089,176)	(12,500,576)	-	(67,589,752)
Improvements other than buildings	(273,292)	(62,748)	-	(336,040)
Equipment	(45,056)	(2,616)	-	(47,672)
Total capital assets being depreciated - net	<u>444,411,660</u>	<u>(9,794,398)</u>	<u>-</u>	<u>434,617,262</u>
WSMLB capital assets, net	<u>\$ 482,910,114</u>	<u>\$ (9,794,398)</u>	<u>\$ -0-</u>	<u>\$ 473,115,716</u>