

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 10 – LEASES**

**Capital Leases**

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for in the Governmental Activities. Such assets and liabilities related to proprietary type funds are accounted for within the proprietary funds (Business-type Activities).

The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2002:

	<u>CAPITAL ASSETS</u>		<u>CAPITAL LEASES PAYABLE</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 9,440,486	\$ -	\$ -	\$ -
Building	74,734,514	-	83,470,000	-
Less depreciation	<u>(2,456,847)</u>	-	-	-
Sub-total	<u>81,718,153</u>	<u>-0-</u>	<u>83,470,000</u>	<u>-0-</u>
Machinery and equipment	991,657	125,763,619	300,342	34,883,480
Less depreciation	<u>(536,860)</u>	<u>(43,745,059)</u>	-	-
Sub-total	<u>454,797</u>	<u>82,018,560</u>	<u>300,342</u>	<u>34,883,480</u>
Totals	<u>\$ 82,172,950</u>	<u>\$ 82,018,560</u>	<u>\$ 83,770,342</u>	<u>\$ 34,883,480</u>

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2002:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2003	\$ 6,355,072	\$ 11,818,726
2004	6,299,636	15,648,491
2005	6,239,202	9,033,624
2006	6,225,491	-
2007	6,198,305	-
2008-2012	30,996,476	-
2013-2017	30,993,295	-
2018-2022	29,554,763	-
2023-2027	<u>21,161,426</u>	<u>-</u>
Total minimum lease payments	144,023,666	36,500,841
Less: Amount representing interest	<u>(60,253,324)</u>	<u>(1,617,361)</u>
Present value of new minimum lease payments	<u>\$ 83,770,342</u>	<u>\$ 34,883,480</u>

**Operating Leases**

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware. These leases include maintenance agreements. Expenditures for the year

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DECEMBER 31, 2002**

**NOTE 10 – CONTINUED**

ended December 31, 2002, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$20 million. The patterns of the future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2003	\$ 7,520,000	\$ 380,000	\$ 550,000	\$ 8,450,000
2004	4,355,500	317,000	290,000	4,962,500
2005	2,835,000	288,000	241,000	3,364,000
2006	1,930,000	255,000	177,000	2,362,000
2007	780,000	122,000	45,000	947,000
2008-2012	2,613,000		226,000	2,839,000
2013-2017	1,905,000		120,500	2,025,500
2018-2022	990,000		10,000	1,000,000
2023-2027	438,900			438,900
2028-2032	438,900			438,900
2033-2037	44,000			44,000

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King County International Airport/Boeing Field complex to companies and government agencies in the aviation industry. Some land and building space devoted to governmental activities are also leased out under long-term operating leases.

The following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2002:

	<u>Airport Enterprise</u>	<u>Governmental activities</u>
Land	\$ 22,504,350	\$ 479,184
Buildings	6,653,633	1,166,542
Less depreciation		<u>(174,042)</u>
	<u>(9,462,516)</u>	
Total cost of property under lease	<u>\$ 19,695,467</u>	<u>\$ 1,471,684</u>

The following is a schedule of minimum future lease receipts on non-cancelable, operating leases based on contract amounts and terms as of December 31, 2002:

<u>Year ending December 31</u>	<u>Business-type</u>		<u>Governmental</u>	<u>Total</u>
	<u>Airport</u>	<u>Other</u>	<u>Various</u>	
2003	\$ 5,355,083	\$ 118,203	\$ 2,135,814	\$ 7,609,100
2004	5,275,970	99,970	2,039,386	7,415,326
2005	5,129,020	54,040	1,853,517	7,036,577
2006	5,080,295	25,500	1,751,129	6,856,924
2007	4,823,844	8,750	1,630,500	6,463,094
2008-2012	23,242,387		5,644,490	28,886,877
2013-2017	20,577,832		3,581,144	24,158,976