

NOTE 11 – 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 under 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, 2008 (in thousands):

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Land	\$ 1,440	\$ -	\$ -	\$ -
Buildings	4,460	-	4,000	-
Leasehold improvements	-	4,881	-	3,453
Less depreciation	(800)	(1,096)	-	-
Subtotal	<u>3,660</u>	<u>3,785</u>	<u>4,000</u>	<u>3,453</u>
Totals	<u>\$ 5,100</u>	<u>\$ 3,785</u>	<u>\$ 4,000</u>	<u>\$ 3,453</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, 2008 (in thousands):

	Governmental Activities	Business-type Activities
2009	\$ 482	\$ 255
2010	484	255
2011	480	255
2012	481	255
2013	480	255
2014-2018	2,408	1,275
2019-2023	483	1,275
2024-2028	-	1,275
2029-2031	-	658
Total minimum lease payments	<u>5,298</u>	<u>5,758</u>
Less: Amount representing interest	(1,298)	(2,305)
Present value of net minimum lease payments	<u>\$ 4,000</u>	<u>\$ 3,453</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 ended December 31, 2008, for operating lease and rental agreements for office space,

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equipment, and other operating leases amount to \$36.6 million. The patterns of future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows (in thousands):

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2009	\$ 5,617	\$ 400	\$ 758	\$ 6,775
2010	5,010	316	718	6,044
2011	4,155	284	654	5,093
2012	3,816	244	536	4,596
2013	3,649	134	540	4,323
2014-2018	11,868	-	2,802	14,670
2019-2023	2,285	-	2,883	5,168
2024-2028	1,013	-	2,437	3,450
2029-2033	969	-	1,853	2,822
2034-2038	57	-	2,046	2,103
2039-2043	-	-	2,259	2,259
2044-2048	-	-	2,494	2,494
2049-2053	-	-	2,609	2,609

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.

The following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2008 (in thousands):

	<u>Governmental</u>	<u>Business-type Activities</u>	
	<u>Activities</u>	<u>Airport</u>	<u>Other</u>
Land	\$ 440	\$ 11,220	\$ 3,657
Buildings	4,583	59,061	1,218
Less depreciation	(1,854)	(29,521)	(266)
Total cost of property under lease	\$ 3,169	\$ 40,760	\$ 4,609

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, 2008 (in thousands):

<u>Year</u>	<u>Governmental</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Activities</u>	<u>Airport</u>	<u>Other</u>	
2009	\$ 13,088	\$ 5,023	\$ 1,209	\$ 19,320
2010	12,538	5,008	3,725	21,271
2011	9,882	5,008	880	15,770
2012	980	4,859	348	6,187
2013	886	4,637	58	5,581