

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: LEASE OBLIGATIONS—OPERATING AND CAPITAL

The State and its component units have entered into various operating and capital leases for office space and for communications, computer, and other equipment. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when incurred. For the year ended June 30, 2005, total operating lease expenditures were \$62.8 million for Primary Government, \$30.4 million for the University of North Carolina System, and \$5.7 million for Community Colleges. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2005 are as follows (dollars in thousands):

Fiscal Year	Operating Leases			Capital Leases		
	Primary Government	Component Units		Governmental Activities	Component Units	
		University of North Carolina System	Community Colleges		University of North Carolina System	Community Colleges
2006	\$ 52,698	\$ 21,673	\$ 3,581	\$ 257	\$ 3,340	\$ 680
2007	36,782	15,800	2,409	120	2,621	633
2008	27,370	10,561	1,685	41	2,422	516
2009	15,064	6,227	1,116	—	2,521	405
2010	8,452	3,313	796	—	2,046	354
2011 - 2015	16,385	15,669	1,768	—	8,465	872
2016 - 2020	11,732	9,834	—	—	7,702	—
2021 - 2025	11,732	9,816	—	—	7,270	—
2026 - 2030	11,732	9,809	—	—	11,788	—
2031 - 2035	8,082	—	—	—	—	—
2036 - 2040	8,082	—	—	—	—	—
2041 - 2045	8,082	—	—	—	—	—
2046 - 2050	8,082	—	—	—	—	—
2051 - 2055	3,233	—	—	—	—	—
Total Future Minimum Lease Payments.....	\$ 227,508	\$ 102,702	\$ 11,355	418	48,175	3,460
Less: Amounts Representing Interest				88	14,740	630
Present Value of Future Minimum Lease Payments				\$ 330	\$ 33,435	\$ 2,830

At June 30, 2005, capital assets acquired under capital leases are as follows (dollars in thousands):

	Primary Government	Component Units	
	Governmental Activities	University of North Carolina System	Community Colleges
Buildings.....	\$ —	\$ 30,399	\$ 1,497
Machinery and Equipment.....	302	6,057	2,004
Other.....	—	1,544	154
Less: Accumulated Depreciation.....	—	(3,854)	(88)
Total Capital Assets.....	\$ 302	\$ 34,146	\$ 3,567