

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, 2006, total operating lease expenditures were \$65.79 million for Primary Government, \$32.17 million for the University of North Carolina System, and \$5.09 million for Community Colleges. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2006 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
2007	\$ 49,517	\$ 19,531	\$ 3,997	\$ 988	\$ 11,789	\$ 1,523
2008	36,640	12,254	3,081	966	7,371	1,371
2009	22,473	7,666	2,049	960	7,372	1,216
2010	13,727	5,352	1,678	1,000	6,831	1,141
2011	9,142	3,785	986	1,040	6,636	1,046
2012 - 2016	16,380	6,746	1,119	5,890	30,214	3,894
2017 - 2021	8,293	48	—	7,215	29,724	2,726
2022 - 2026	8,082	26	—	8,830	29,302	1,740
2027 - 2031	8,082	24	—	—	28,979	—
2032 - 2036	8,082	24	—	—	11,682	—
2037 - 2041	8,082	24	—	—	—	—
2042 - 2046	8,082	24	—	—	—	—
2047 - 2051	8,082	24	—	—	—	—
2052 - 2056	1,616	24	—	—	—	—
Total Future Minimum Lease Payments.....	\$ 206,280	\$ 55,552	\$ 12,910	26,889	169,900	14,657
Less: Amounts Representing Interest				10	66,475	4,770
Present Value of Future Minimum Lease Payments				\$ 26,879	\$ 103,425	\$ 9,887

At June 30, 2006, 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.....	\$ 26,745	\$ 100,770	\$ 1,782
Machinery and Equipment.....	298	5,054	2,542
Other.....	—	695	5,200
Less: Accumulated Depreciation...	—	(5,500)	(1,057)
Total Capital Assets.....	\$ 27,043	\$ 101,019	\$ 8,467