

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, 2007, total operating lease expenditures were \$68.1 million for Primary Government, \$36.53 million for the University of North Carolina System, and \$5.43 million for Community Colleges. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2007 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
2008	\$ 49,584	\$ 18,702	\$ 4,247	\$ 1,132	\$ 14,334	\$ 802
2009	37,788	12,617	2,944	1,132	9,910	673
2010	26,402	9,319	2,339	1,151	8,935	623
2011	18,848	6,049	1,471	1,189	8,251	426
2012	12,220	3,429	833	1,214	7,490	290
2013 - 2017	22,205	7,865	741	6,779	36,040	290
2018 - 2022	11,077	4,942	110	7,911	34,683	—
2023 - 2027	8,082	1,298	110	5,510	33,596	—
2028 - 2032	8,082	75	110	—	32,695	—
2033 - 2037	8,082	83	—	—	29,229	—
2038 - 2042	8,082	50	—	—	2,419	—
2043 - 2047	8,082	24	—	—	—	—
2048 - 2052	8,082	24	—	—	—	—
2053 - 2057	—	24	—	—	—	—
Total Future Minimum Lease Payments.....	\$ 226,616	\$ 64,501	\$ 12,905	26,018	217,582	3,104
Less: Amounts Representing Interest				(278)	(80,400)	(430)
Present Value of Future Minimum Lease Payments	\$ 25,740	\$ 137,182	\$ 2,674			

At June 30, 2007, 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.....	\$ 26,051	\$ 132,234	\$ 1,782
Machinery and Equipment.....	212	7,924	3,369
Other.....	—	695	43
Less: Accumulated Depreciation.....	—	(8,594)	(1,195)
Total Capital Assets.....	\$ 26,263	\$ 132,259	\$ 3,999