

## 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, 2008, total operating lease expenditures were \$71.32 million for Primary Government, \$39.9 million for the University of North Carolina System, and \$5.53 million for Community Colleges. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2008 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
2009	\$ 50,893	\$ 25,901	\$ 3,723	\$ 1,971	\$ 14,375	\$ 869
2010	35,841	19,270	3,204	1,955	9,117	803
2011	27,575	14,034	2,262	1,956	8,589	580
2012	20,323	7,582	1,408	1,944	7,828	421
2013	12,073	5,377	422	1,943	7,411	290
2014 - 2018	35,165	8,370	157	9,842	38,186	—
2019 - 2023	28,222	5,039	110	9,692	41,420	—
2024 - 2028	8,082	335	—	3,810	43,065	—
2029 - 2033	8,082	76	—	—	42,366	—
2034 - 2038	8,082	85	—	—	37,823	—
2039 - 2043	8,082	37	—	—	—	—
2044 - 2048	8,082	24	—	—	—	—
2049 - 2053	6,466	24	—	—	—	—
2054 - 2058	—	24	—	—	—	—
<b>Total Future Minimum Lease Payments.....</b>	<b>\$ 256,968</b>	<b>\$ 86,178</b>	<b>\$ 11,286</b>	<b>33,113</b>	<b>250,180</b>	<b>2,963</b>
Less: Amounts Representing Interest				(8,454)	(107,401)	(353)
<b>Present Value of Future Minimum Lease Payments</b>				<b>\$ 24,659</b>	<b>\$ 142,779</b>	<b>\$ 2,610</b>

At June 30, 2008, 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	\$ 138,973	\$ 1,782
Machinery and Equipment.....	215	11,652	3,630
Other.....	—	1,381	43
Less: Accumulated Depreciation.....	—	(16,989)	(1,698)
<b>Total Capital Assets.....</b>	<b>\$ 26,266</b>	<b>\$ 135,017</b>	<b>\$ 3,757</b>