

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, 2009, total operating lease expenditures were \$86.36 million for Primary Government, \$49.21 million for the University of North Carolina System, and \$5.92 million for Community Colleges. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2009 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
2010	\$ 55,864	\$ 32,738	\$ 5,068	\$ 2,096	\$ 17,307	\$ 659
2011	44,679	25,670	5,987	2,098	11,946	526
2012	31,900	17,181	5,129	1,944	11,465	380
2013	16,898	14,041	4,437	1,943	10,502	290
2014	11,541	9,957	3,598	1,952	9,128	—
2015 - 2019	24,185	24,793	14,563	9,820	43,659	—
2020 - 2024	12,212	18,818	13,111	9,736	51,994	—
2025 - 2029	8,710	11,168	13,111	1,940	55,560	—
2030 - 2034	8,082	78	2,127	—	56,810	—
2035 - 2039	8,082	87	—	—	46,014	—
2040 - 2044	8,082	24	—	—	—	—
2045 - 2049	8,082	24	—	—	—	—
2050 - 2054	4,849	24	—	—	—	—
2055 - 2059	—	24	—	—	—	—
Total Future Minimum Lease Payments.....	\$ 243,166	\$ 154,627	\$ 67,131	31,529	314,385	1,855
Less: Amounts Representing Interest				(7,696)	(102,444)	(204)
Present Value of Future Minimum Lease Payments				\$ 23,833	\$ 211,941	\$ 1,651

At June 30, 2009, 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	\$ 201,196	\$ 1,782
Machinery and Equipment.....	477	23,959	2,453
Other.....	—	686	43
Less: Accumulated Depreciation.....	—	(24,522)	(1,476)
Total Capital Assets.....	\$ 26,528	\$ 201,319	\$ 2,802