

NOTES TO THE FINANCIAL STATEMENTS**NOTE 9: 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, 2015, total operating lease expenditures were \$77.9 million for Primary Government, \$88.28 million for the University of North Carolina System, and \$8.89 million for Community Colleges. Capital leases of nongovernmental component units of the University of North Carolina System are excluded from the amounts below. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2015 are as follows (dollars in thousands):

Fiscal Year	Operating Leases				Capital Leases			
	Primary Government		Component Units		Primary Government		Component Units	
	Governmental Activities	Business-type Activities	University of		Governmental Activities	University of		
			North Carolina System	Community Colleges		North Carolina System	Community Colleges	
2016	\$ 46,348	\$ 2,043	\$ 58,037	\$ 6,842	\$ 2,478	\$ 9,147	\$ 3,415	
2017	36,618	1,185	43,183	5,758	2,300	6,337	3,405	
2018	23,410	583	36,380	5,142	2,248	6,289	3,385	
2019	18,228	394	32,337	4,189	2,280	4,279	3,364	
2020	10,944	298	27,894	3,592	2,081	5,998	3,271	
2021 - 2025	25,047	1,268	104,433	11,886	9,584	2,399	16,565	
2026 - 2030	10,425	—	40,115	6,555	—	1,175	15,116	
2031 - 2035	8,072	—	14,240	201	—	2,073	4,111	
2036 - 2040	8,072	—	346	48	—	2,141	8,396	
2041 - 2045	8,072	—	200	—	—	—	—	
2046 - 2050	8,072	—	40	—	—	—	—	
2051 - Beyond	3,229	—	—	—	—	—	—	
Total Future Minimum Lease Payments..	\$ 206,537	\$ 5,771	\$ 357,205	\$ 44,213	20,971	39,838	61,028	
Less: Amounts Representing Interest					(3,135)	(2,476)	(24,438)	
Present Value of Future Minimum Lease Payments					\$ 17,836	\$ 37,362	\$ 36,590	

At June 30, 2015, 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.....	\$ 25,401	\$ 7,671	\$ 40,623
Machinery and Equipment.....	2,462	52,424	543
Other.....	278	1,106	—
Total Capital Assets.....	\$ 28,141	\$ 61,201	\$ 41,166

Depreciation for capital assets acquired under capital leases is included as part of depreciation expense (see Note 5).