
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, 2020, total operating lease expenditures were \$85.02 million for Primary Government, \$121.93 million for the University of North Carolina System, and \$9.53 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, 2020 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 | Business type Activities | University of | |
| | | | North Carolina System | Community Colleges | | | North Carolina System | Community Colleges |
| 2021 | \$ 51,644 | \$ 4,728 | \$ 112,021 | \$ 8,198 | \$ 3,239 | 31 | \$ 4,322 | \$ 3,885 |
| 2022 | 41,166 | 3,866 | 100,801 | 7,219 | 2,672 | 31 | 2,744 | 3,821 |
| 2023 | 33,890 | 3,677 | 90,863 | 6,241 | 2,460 | 28 | 2,116 | 3,709 |
| 2024 | 27,539 | 3,440 | 80,543 | 5,487 | 1,958 | 11 | 1,304 | 3,693 |
| 2025 | 21,827 | 3,342 | 70,309 | 4,503 | 1,966 | — | 463 | 3,585 |
| 2026 - 2030 | 26,582 | 3,252 | 187,062 | 18,187 | 1,977 | — | 1,474 | 15,033 |
| 2031 - 2035 | 8,708 | — | 13,069 | 3,524 | — | — | 350 | 4,733 |
| 2036 - 2040 | 8,072 | — | 1,791 | 670 | — | — | 2,022 | 4,445 |
| 2041 - 2045 | 8,072 | — | 1,177 | 44 | — | — | — | 4,075 |
| 2046 - 2050 | 8,072 | — | 1,105 | — | — | — | — | — |
| 2051 - 2055 | 3,229 | — | 800 | — | — | — | — | — |
| 2056 - Beyond | — | — | — | — | — | — | — | — |
| Total Future Minimum | | | | | | | | |
| Lease Payments..... | \$ 238,801 | \$ 22,305 | \$ 659,541 | \$ 54,073 | 14,272 | 101 | 14,795 | 46,979 |
| Less: Amounts Representing Interest | | | | | (3,616) | (7) | (1,151) | (14,660) |
| Present Value of Future Minimum Lease Payments | | | | | \$ 10,656 | \$ 94 | \$ 13,644 | \$ 32,319 |

At June 30, 2020, capital assets acquired under capital leases are as follows (dollars in thousands):

| | Primary Government | | Component Units | |
|----------------------------------|----------------------------|-----------------------------|--------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | University of | |
| | | | North Carolina System | Community Colleges |
| Buildings..... | \$ 25,487 | \$ — | \$ 7,880 | \$ 40,380 |
| Machinery and Equipment..... | 7,941 | 136 | 14,705 | 1,340 |
| Other..... | — | \$ — | — | — |
| Total Capital Assets..... | \$ 33,428 | \$ 136 | \$ 22,585 | \$ 41,720 |

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