

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, 2021, total operating lease expenditures were \$87.40 million for Primary Government, \$188.82 million for the University of North Carolina System, and \$10.01 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, 2021 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 North Carolina System	Community Colleges	Governmental Activities	Business-type Activities	University of North Carolina System	Community Colleges
2022	\$ 53,585	\$ 4,732	\$ 126,308	\$ 8,661	\$ 3,128	\$ 31	\$ 2,710	\$ 4,073
2023	42,784	3,998	114,566	6,970	2,460	28	2,236	3,995
2024	35,786	3,717	103,503	6,150	1,958	10	1,704	3,825
2025	29,257	3,581	90,552	5,073	1,967	-	841	3,647
2026	20,156	2,834	73,466	4,632	1,977	-	605	3,457
2027 - 2031	35,178	2,484	174,190	19,235	-	-	1,541	13,238
2032 - 2036	8,655	-	11,055	10,425	-	-	1,996	5,505
2037 - 2041	8,072	-	783	1,075	-	-	-	5,216
2042 - 2046	8,072	-	816	46	-	-	-	3,185
2047 - 2051	8,072	-	711	-	-	-	-	-
2052 - 2056	1,614	-	736	-	-	-	-	-
2057 - Beyond	-	-	-	-	-	-	-	-
Total Future Minimum Lease Payments	\$ 251,231	\$ 21,346	\$ 696,686	\$ 62,267	11,490	69	11,633	46,141
Less: Amount Representing Interest					(3,236)	(3)	(951)	(13,008)
Present Value of Future Minimum Lease Payments	\$ 8,254	\$ 66	\$ 10,682	\$ 33,133				

At June 30, 2021 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	\$ -	\$ 5,630	\$ 40,967
Machinery and Equipment	3,459	136	11,869	1,151
Other	-	-	-	-
Total Capital Assets	\$ 28,946	\$ 136	\$ 17,499	\$ 42,118

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