NOTE 5: CAPITAL ASSETS

Primary Government. A summary of changes in capital assets for the year ended June 30, 2004 is presented below (dollars in thousands).

Governmental Activities:	Balance July 1, 2003 (as restated)	Additions	Deductions	Balance June 30, 2004
Capital Assets, nondepreciable:				
Land	$ 7,713,505	$ 597,353	$ 10,203	$ 8,300,655
Art, literature, and other artifacts	7	1,119	—	1,126
Construction in progress	1,452,222	1,420,820	1,227,386	1,645,656
Total capital assets-nondepreciable	9,165,734	2,019,292	1,237,589	9,947,437
Capital Assets, depreciable:				
Buildings	1,954,881	255,482	5,026	2,205,337
Machinery and equipment	1,443,831	140,953	73,968	1,510,816
Intangibles	206,902	3,018	6,517	203,403
General infrastructure	168,449	3,249	825	170,873
State highway system	16,932,688	1,202,765	33,433	18,102,020
Total capital assets-depreciable	20,706,751	1,605,467	119,769	22,192,449
Less accumulated depreciation for:				
Buildings	(585,426)	(41,557)	(609)	(626,374)
Machinery and equipment	(892,676)	(115,184)	(59,908)	(947,952)
Intangibles	(97,975)	(5,018)	(6,096)	(96,897)
General infrastructure	(87,960)	(6,507)	(453)	(94,014)
State highway system	(4,488,476)	(362,041)	(32,764)	(4,817,753)
Total accumulated depreciation	(6,152,513)	(530,307)	(99,830)	(6,582,990)
Total capital assets-depreciable, net	14,554,238	1,075,160	19,939	15,609,459
Governmental activities capital assets, net	$ 23,719,972	$ 3,094,452	$ 1,257,528	$ 25,556,896

Business-type Activities:

	Balance July 1, 2003 (as restated)	Additions	Deductions	Balance June 30, 2004
Capital Assets, nondepreciable:				
Land	$ 2,563	$ —	$ —	$ 2,563
Construction in progress	20,018	4,515	—	24,533
Total capital assets-nondepreciable	22,581	4,515	—	27,096
Capital Assets, depreciable:				
Buildings	28,791	—	51	28,740
Machinery and equipment	3,310	355	94	3,571
General infrastructure	21,330	—	—	21,330
Total capital assets-depreciable	53,431	355	145	53,641
Less accumulated depreciation for:				
Buildings	(14,816)	(693)	—	(15,509)
Machinery and equipment	(2,263)	(74)	(80)	(2,257)
General infrastructure	(12,661)	(803)	—	(13,464)
Total accumulated depreciation	(29,740)	(1,570)	(80)	(31,230)
Total capital assets-depreciable, net	23,691	(1,215)	65	22,411
Business-type activities capital assets, net	$ 46,272	$ 3,300	$ 65	$ 49,507

Depreciation expense was charged to functions/programs of the primary government as follows (dollars in thousands):

Governmental activities:	
General government	$ 37,134
Primary and secondary education	1,700
Higher Education	94
Health and human services	13,644
Economic development	1,485
Environment and natural resources	10,945
Public safety, correction, and regulation	42,502
Transportation	419,165
Agriculture	3,638
Total depreciation expense	$ 530,307
Business-type activities:	
Town of Butner Water and Sewer	$ 642
N.C. State Fair	472
USS North Carolina Battleship Commission	95
Agricultural Farmers Market	281
EPA Revolving Loan Fund	18
Other business-type activities	62
Total depreciation expense	$ 1,570

NOTES TO THE FINANCIAL STATEMENTS

Component Units (University of North Carolina System and Community Colleges). Capital asset activity for the University of North Carolina System and Community Colleges for the fiscal year ended June 30, 2004, was as follows (dollars in thousands):

University of North Carolina System:	**Balance July 1, 2003 (as restated)**	**Additions**	**Deductions**	**Balance June 30, 2004**
Capital Assets, nondepreciable:				
Land	$ 156,790	$ 8,457	$ 784	$ 164,463
Art, literature, and other artifacts	91,858	4,463	33	96,288
Construction in progress	776,747	715,965	521,306	971,406
Total capital assets-nondepreciable	1,025,395	728,885	522,123	1,232,157
Capital Assets, depreciable:				
Buildings	3,874,046	534,247	10,082	4,398,211
Machinery and equipment	1,181,334	103,563	71,223	1,213,674
Intangibles	1,000	—	—	1,000
Art, literature, and other artifacts	1,694	30	—	1,724
General infrastructure	669,087	56,135	183	725,039
Total capital assets-depreciable	5,727,161	693,975	81,488	6,339,648
Less accumulated depreciation for:				
Buildings	(1,356,988)	(114,331)	(3,774)	(1,467,545)
Machinery and equipment	(724,953)	(108,103)	(61,800)	(771,256)
Art, literature, and other artifacts	(508)	(145)	—	(653)
General infrastructure	(221,900)	(23,890)	(153)	(245,637)
Total accumulated depreciation	(2,304,349)	(246,469)	(65,727)	(2,485,091)
Total capital assets-depreciable, net	3,422,812	447,506	15,761	3,854,557
University of North Carolina System capital assets, net	$ 4,448,207	$ 1,176,391	$ 537,884	$ 5,086,714

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2004, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of $23.022 million and net depreciable capital assets of $115.918 million.

Community Colleges:

	Balance July 1, 2003 (as restated)	Additions	Deductions	Balance June 30, 2004
Capital Assets, nondepreciable:				
Land	$ 85,578	$ 3,468	$ 648	$ 88,398
Art, literature, and other artifacts	348	64	—	412
Construction in progress	97,071	125,017	32,223	189,865
Total capital assets-nondepreciable	182,997	128,549	32,871	278,675
Capital Assets, depreciable:				
Buildings	1,153,807	57,669	6,412	1,205,064
Machinery and equipment	159,784	16,869	5,364	171,289
Art, literature, and other artifacts	129	—	9	120
General infrastructure	53,699	5,412	109	59,002
Total capital assets-depreciable	1,367,419	79,950	11,894	1,435,475
Less accumulated depreciation for:				
Buildings	(361,244)	(30,043)	(783)	(390,504)
Machinery and equipment	(93,874)	(11,565)	(4,037)	(101,402)
Art, literature, and other artifacts	(14)	(2)	(7)	(9)
General infrastructure	(28,083)	(3,396)	(124)	(31,355)
Total accumulated depreciation	(483,215)	(45,006)	(4,951)	(523,270)
Total capital assets-depreciable, net	884,204	34,944	6,943	912,205
Community Colleges capital assets, net	$ 1,067,201	$ 163,493	$ 39,814	$ 1,190,880

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2004, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of $7.773 million and net depreciable capital assets of $798 thousand.