

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

Primary Government. A summary of changes in capital assets for the year ended June 30, 2006 is presented below (dollars in thousands).

Governmental Activities:	Balance July 1, 2005 (as restated)	Additions	Deductions	Balance June 30, 2006
Capital Assets, nondepreciable:				
Land	\$ 8,913,829	\$ 530,808	\$ (5,021)	\$ 9,439,616
Art, literature, and other artifacts	48,975	11,510	—	60,485
Construction in progress	1,960,204	1,540,342	(1,782,418)	1,718,128
Total capital assets-nondepreciable	<u>10,923,008</u>	<u>2,082,660</u>	<u>(1,787,439)</u>	<u>11,218,229</u>
Capital Assets, depreciable:				
Buildings	2,300,307	263,719	(37,043)	2,526,983
Machinery and equipment	1,502,431	134,607	(91,287)	1,545,751
Intangibles	200,146	4,215	(5,366)	198,995
General infrastructure	176,331	5,975	(10,966)	171,340
State highway system	19,419,720	1,540,182	(41,439)	20,918,463
Total capital assets-depreciable	<u>23,598,935</u>	<u>1,948,698</u>	<u>(186,101)</u>	<u>25,361,532</u>
Less accumulated depreciation for:				
Buildings	(667,366)	(52,863)	17,436	(702,793)
Machinery and equipment	(947,947)	(109,104)	77,318	(979,733)
Intangibles	(94,101)	(4,870)	5,232	(93,739)
General infrastructure	(97,273)	(5,889)	9,062	(94,100)
State highway system	(5,172,498)	(418,274)	40,611	(5,550,161)
Total accumulated depreciation	<u>(6,979,185)</u>	<u>(591,000)</u>	<u>149,659</u>	<u>(7,420,526)</u>
Total capital assets-depreciable, net	<u>16,619,750</u>	<u>1,357,698</u>	<u>(36,442)</u>	<u>17,941,006</u>
Governmental activities capital assets, net	<u>\$ 27,542,758</u>	<u>\$ 3,440,358</u>	<u>\$ (1,823,881)</u>	<u>\$ 29,159,235</u>

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Business-type Activities:

	Balance July 1, 2005 (as restated)	Additions	Deductions	Balance June 30, 2006
Capital Assets, nondepreciable:				
Land	\$ 3,147	\$ —	\$ —	\$ 3,147
Construction in progress	1,811	482	—	2,293
Total capital assets-nondepreciable	<u>4,958</u>	<u>482</u>	<u>—</u>	<u>5,440</u>
Capital Assets, depreciable:				
Buildings	33,982	—	—	33,982
Machinery and equipment	5,661	1,043	(1,505)	5,199
General infrastructure	47,304	218	—	47,522
Intangible Assets	1,569	—	(112)	1,457
Total capital assets-depreciable	<u>88,516</u>	<u>1,261</u>	<u>(1,617)</u>	<u>88,160</u>
Less accumulated depreciation for:				
Buildings	(18,472)	(812)	—	(19,284)
Machinery and equipment	(3,822)	(253)	1,338	(2,737)
General infrastructure	(16,535)	(2,015)	—	(18,550)
Total accumulated depreciation	<u>(38,829)</u>	<u>(3,080)</u>	<u>1,338</u>	<u>(40,571)</u>
Total capital assets-depreciable, net	<u>49,687</u>	<u>(1,819)</u>	<u>(279)</u>	<u>47,589</u>
Business-type activities capital assets, net	<u>\$ 54,645</u>	<u>\$ (1,337)</u>	<u>\$ (279)</u>	<u>\$ 53,029</u>

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

General government	\$ 36,206
Primary and secondary education	1,977
Higher Education	60
Health and human services	12,640
Economic development	1,205
Environment and natural resources	12,881
Public safety, correction, and regulation	49,059
Transportation	473,093
Agriculture	3,880
Total depreciation expense	<u>\$ 591,001</u>

Business-type activities:

Town of Butner Water and Sewer	\$ 1,662
N.C. State Fair	618
USS North Carolina Battleship Commission	128
Agricultural Farmers Market	292
EPA Revolving Loan Fund	21
State Banking Commission	8
ABC Commission	117
Utilities Commission	67
N.C. State Lottery	76
Other business-type activities	91
Total depreciation expense	<u>\$ 3,080</u>

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, 2006, was as follows (dollars in thousands):

University of North Carolina System:	Balance			Balance
	July 1, 2005 (as restated)	Additions	Deductions	
Capital Assets, nondepreciable:				
Land	\$ 195,536	\$ 6,303	\$ (262)	\$ 201,577
Art, literature, and other artifacts	99,433	8,824	(380)	107,877
Construction in progress	1,032,320	720,760	(653,182)	1,099,898
Total capital assets-nondepreciable	<u>1,327,289</u>	<u>735,887</u>	<u>(653,824)</u>	<u>1,409,352</u>
Capital Assets, depreciable:				
Buildings	5,208,707	848,363	(5,906)	6,051,164
Machinery and equipment	1,288,032	124,414	(66,489)	1,345,957
Intangibles	1,000	—	—	1,000
Art, literature, and other artifacts	1,907	59	—	1,966
General infrastructure	803,270	38,308	(136)	841,442
Total capital assets-depreciable	<u>7,302,916</u>	<u>1,011,144</u>	<u>(72,531)</u>	<u>8,241,529</u>
Less accumulated depreciation for:				
Buildings	(1,585,088)	(151,747)	5,451	(1,731,384)
Machinery and equipment	(833,777)	(101,556)	55,337	(879,996)
Art, literature, and other artifacts	(800)	(149)	—	(949)
General infrastructure	(270,986)	(28,160)	149	(298,997)
Total accumulated depreciation	<u>(2,690,651)</u>	<u>(281,612)</u>	<u>60,937</u>	<u>(2,911,326)</u>
Total capital assets-depreciable, net	<u>4,612,265</u>	<u>729,532</u>	<u>(11,594)</u>	<u>5,330,203</u>
University of North Carolina System capital assets, net	<u>\$ 5,939,554</u>	<u>\$ 1,465,419</u>	<u>\$ (665,418)</u>	<u>\$ 6,739,555</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2006, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$29.961 million and net depreciable capital assets of \$149.873 million.

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Community Colleges:

	Balance July 1, 2005 (as restated)	Additions	Deductions	Balance June 30, 2006
Capital Assets, nondepreciable:				
Land	\$ 97,412	\$ 4,692	\$ —	\$ 102,104
Art, literature, and other artifacts	355	—	—	355
Construction in progress	232,469	129,651	(159,657)	202,463
Total capital assets-nondepreciable	<u>330,236</u>	<u>134,343</u>	<u>(159,657)</u>	<u>304,922</u>
Capital Assets, depreciable:				
Buildings	1,341,716	176,572	(938)	1,517,350
Machinery and equipment	183,689	22,969	(7,577)	199,081
Art, literature, and other artifacts	46	—	—	46
General infrastructure	68,333	9,964	(62)	78,235
Total capital assets-depreciable	<u>1,593,784</u>	<u>209,505</u>	<u>(8,577)</u>	<u>1,794,712</u>
Less accumulated depreciation for:				
Buildings	(409,724)	(35,667)	539	(444,852)
Machinery and equipment	(111,451)	(13,600)	6,522	(118,529)
Art, literature, and other artifacts	(18)	(3)	—	(21)
General infrastructure	(33,427)	(3,319)	64	(36,682)
Total accumulated depreciation	<u>(554,620)</u>	<u>(52,589)</u>	<u>7,125</u>	<u>(600,084)</u>
Total capital assets-depreciable, net	<u>1,039,164</u>	<u>156,916</u>	<u>(1,452)</u>	<u>1,194,628</u>
Community Colleges capital assets, net	<u>\$ 1,369,400</u>	<u>\$ 291,259</u>	<u>\$ (161,109)</u>	<u>\$ 1,499,550</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2006, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$1.194 million and net depreciable capital assets of \$1.780 million.