
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

Primary Government. A summary of changes in capital assets for the year ended June 30, 2007 is presented below (dollars in thousands).

Governmental Activities:	Balance July 1, 2006 (as restated)	Additions	Deductions	Balance June 30, 2007
Capital Assets, nondepreciable:				
Land	\$ 9,481,462	\$ 583,191	\$ (270)	\$ 10,064,383
Art, literature, and other artifacts	60,485	4,544	(196)	64,833
Construction in progress	1,710,819	1,475,422	(1,418,951)	1,767,290
Total capital assets-nondepreciable	<u>11,252,766</u>	<u>2,063,157</u>	<u>(1,419,417)</u>	<u>11,896,506</u>
Capital Assets, depreciable:				
Buildings	2,511,182	29,067	(28,287)	2,511,962
Machinery and equipment	1,591,316	165,601	(144,195)	1,612,722
Intangibles	200,551	5,224	(6,057)	199,718
General infrastructure	206,188	2,339	(32,317)	176,210
State highway system	20,918,462	1,392,553	(58,390)	22,252,625
Total capital assets-depreciable	<u>25,427,699</u>	<u>1,594,784</u>	<u>(269,246)</u>	<u>26,753,237</u>
Less accumulated depreciation for:				
Buildings	(650,551)	(48,918)	10,666	(688,803)
Machinery and equipment	(928,731)	(111,389)	88,499	(951,621)
Intangibles	(93,608)	(4,854)	4,478	(93,984)
General infrastructure	(93,628)	(5,262)	10,806	(88,084)
State highway system	(5,550,161)	(445,053)	57,222	(5,937,992)
Total accumulated depreciation	<u>(7,316,679)</u>	<u>(615,476)</u>	<u>171,671</u>	<u>(7,760,484)</u>
Total capital assets-depreciable, net	<u>18,111,020</u>	<u>979,308</u>	<u>(97,575)</u>	<u>18,992,753</u>
Governmental activities capital assets, net	<u>\$ 29,363,786</u>	<u>\$ 3,042,465</u>	<u>\$ (1,516,992)</u>	<u>\$ 30,889,259</u>

NOTES TO THE FINANCIAL STATEMENTS

Business-type Activities:

	Balance July 1, 2006 (as restated)	Additions	Deductions	Balance June 30, 2007
Capital Assets, nondepreciable:				
Land	\$ 3,114	\$ —	\$ —	\$ 3,114
Construction in progress	532	—	—	532
Total capital assets-nondepreciable	<u>3,646</u>	<u>—</u>	<u>—</u>	<u>3,646</u>
Capital Assets, depreciable:				
Buildings	30,704	—	—	30,704
Machinery and equipment	4,558	1,410	(170)	5,798
General infrastructure	15,306	—	—	15,306
Total capital assets-depreciable	<u>50,568</u>	<u>1,410</u>	<u>(170)</u>	<u>51,808</u>
Less accumulated depreciation for:				
Buildings	(17,175)	(699)	—	(17,874)
Machinery and equipment	(2,237)	(464)	159	(2,542)
General infrastructure	(7,827)	(538)	—	(8,365)
Total accumulated depreciation	<u>(27,239)</u>	<u>(1,701)</u>	<u>159</u>	<u>(28,781)</u>
Total capital assets-depreciable, net	<u>23,329</u>	<u>(291)</u>	<u>(11)</u>	<u>23,027</u>
Business-type activities capital assets, net	<u>\$ 26,975</u>	<u>\$ (291)</u>	<u>\$ (11)</u>	<u>\$ 26,673</u>

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

Governmental activities:

General government	\$ 37,404
Primary and secondary education	1,822
Higher Education	49
Health and human services	12,955
Economic development	1,007
Environment and natural resources	12,254
Public safety, correction, and regulation	48,472
Transportation	497,984
Agriculture	3,529
Total depreciation expense	<u>\$ 615,476</u>

Business-type activities:

N.C. State Fair	\$ 654
USS North Carolina Battleship Commission	124
Agricultural Farmers Market	291
EPA Revolving Loan Fund	21
State Banking Commission	6
ABC Commission	117
Utilities Commission	6
N.C. State Lottery	391
Other business-type activities	91
Total depreciation expense	<u>\$ 1,701</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, 2007, was as follows (dollars in thousands):

University of North Carolina System:	Balance			Balance June 30, 2007
	July 1, 2006 (as restated)	Additions	Deductions	
Capital Assets, nondepreciable:				
Land	\$ 203,459	\$ 13,053	\$ (4,051)	\$ 212,461
Art, literature, and other artifacts	107,877	7,314	(46)	115,145
Construction in progress	1,100,532	608,111	(563,099)	1,145,544
Total capital assets-nondepreciable	<u>1,411,868</u>	<u>628,478</u>	<u>(567,196)</u>	<u>1,473,150</u>
Capital Assets, depreciable:				
Buildings	6,051,451	752,738	(15,184)	6,789,005
Machinery and equipment	1,346,247	147,607	(64,755)	1,429,099
Intangibles	1,000	2,513	—	3,513
Art, literature, and other artifacts	1,966	179	(50)	2,095
General infrastructure	841,442	58,499	(900)	899,041
Total capital assets-depreciable	<u>8,242,106</u>	<u>961,536</u>	<u>(80,889)</u>	<u>9,122,753</u>
Less accumulated depreciation for:				
Buildings	(1,732,656)	(174,815)	7,934	(1,899,537)
Machinery and equipment	(879,813)	(110,653)	51,349	(939,117)
Art, literature, and other artifacts	(949)	(162)	—	(1,111)
General infrastructure	(298,835)	(29,373)	837	(327,371)
Total accumulated depreciation	<u>(2,912,253)</u>	<u>(315,003)</u>	<u>60,120</u>	<u>(3,167,136)</u>
Total capital assets-depreciable, net	<u>5,329,853</u>	<u>646,533</u>	<u>(20,769)</u>	<u>5,955,617</u>
University of North Carolina System capital assets, net	<u>\$ 6,741,721</u>	<u>\$ 1,275,011</u>	<u>\$ (587,965)</u>	<u>\$ 7,428,767</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2007, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$25.297 million and net depreciable capital assets of \$165.263 million.

NOTES TO THE FINANCIAL STATEMENTS

Community Colleges:	Balance			Balance June 30, 2007
	July 1, 2006 (as restated)	Additions	Deductions	
Capital Assets, nondepreciable:				
Land	\$ 103,030	\$ 6,762	\$ (17)	\$ 109,775
Art, literature, and other artifacts	345	55	—	400
Construction in progress	191,437	94,242	(127,506)	158,173
Total capital assets-nondepreciable	<u>294,812</u>	<u>101,059</u>	<u>(127,523)</u>	<u>268,348</u>
Capital Assets, depreciable:				
Buildings	1,525,733	119,569	(7,723)	1,637,579
Machinery and equipment	199,752	27,036	(9,636)	217,152
Art, literature, and other artifacts	371	—	—	371
General infrastructure	87,436	25,341	(344)	112,433
Total capital assets-depreciable	<u>1,813,292</u>	<u>171,946</u>	<u>(17,703)</u>	<u>1,967,535</u>
Less accumulated depreciation for:				
Buildings	(398,112)	(37,262)	3,867	(431,507)
Machinery and equipment	(97,847)	(15,470)	9,765	(103,552)
Art, literature, and other artifacts	(22)	(11)	—	(33)
General infrastructure	(27,075)	(3,405)	963	(29,517)
Total accumulated depreciation	<u>(523,056)</u>	<u>(56,148)</u>	<u>14,595</u>	<u>(564,609)</u>
Total capital assets-depreciable, net	<u>1,290,236</u>	<u>115,798</u>	<u>(3,108)</u>	<u>1,402,926</u>
Community Colleges capital assets, net	<u>\$ 1,585,048</u>	<u>\$ 216,857</u>	<u>\$ (130,631)</u>	<u>\$ 1,671,274</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2007, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$2.448 million and net depreciable capital assets of \$1.134 million.