

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

Primary Government. A summary of changes in capital assets for the year ended June 30, 2008 is presented below (dollars in thousands).

Governmental Activities:

	Balance July 1, 2007 (as restated)	Additions	Deductions	Balance June 30, 2008
Capital Assets, nondepreciable:				
Land	\$ 10,083,640	\$ 578,073	\$ (777)	\$ 10,660,936
Art, literature, and other artifacts	64,823	1,458	(1)	66,280
Construction in progress	1,758,140	1,662,246	(1,294,868)	2,125,518
Total capital assets-nondepreciable	<u>11,906,603</u>	<u>2,241,777</u>	<u>(1,295,646)</u>	<u>12,852,734</u>
Capital Assets, depreciable:				
Buildings	2,507,613	61,477	(40,061)	2,529,029
Machinery and equipment	1,614,721	168,570	(129,045)	1,654,246
Intangibles	199,718	3,036	(5,468)	197,286
General infrastructure	177,102	4,785	(1,711)	180,176
State highway system	22,252,625	1,237,118	(60,160)	23,429,583
Total capital assets-depreciable	<u>26,751,779</u>	<u>1,474,986</u>	<u>(236,445)</u>	<u>27,990,320</u>
Less accumulated depreciation for:				
Buildings	(680,799)	(47,854)	15,450	(713,203)
Machinery and equipment	(951,923)	(113,239)	82,010	(983,152)
Intangibles	(93,984)	(4,848)	5,215	(93,617)
General infrastructure	(78,458)	(4,687)	411	(82,734)
State highway system	(5,937,992)	(468,592)	58,957	(6,347,627)
Total accumulated depreciation	<u>(7,743,156)</u>	<u>(639,220)</u>	<u>162,043</u>	<u>(8,220,333)</u>
Total capital assets-depreciable, net	<u>19,008,623</u>	<u>835,766</u>	<u>(74,402)</u>	<u>19,769,987</u>
Governmental activities capital assets, net	<u>\$ 30,915,226</u>	<u>\$ 3,077,543</u>	<u>\$ (1,370,048)</u>	<u>\$ 32,622,721</u>

NOTES TO THE FINANCIAL STATEMENTS

Business-type Activities:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital Assets, nondepreciable:				
Land	\$ 3,114	\$ 338	\$ —	\$ 3,452
Construction in progress	532	—	—	532
Total capital assets-nondepreciable	<u>3,646</u>	<u>338</u>	<u>—</u>	<u>3,984</u>
Capital Assets, depreciable:				
Buildings	30,704	5,158	—	35,862
Machinery and equipment	5,798	1,531	(103)	7,226
General infrastructure	15,306	446	—	15,752
Total capital assets-depreciable	<u>51,808</u>	<u>7,135</u>	<u>(103)</u>	<u>58,840</u>
Less accumulated depreciation for:				
Buildings	(17,874)	(682)	—	(18,556)
Machinery and equipment	(2,542)	(450)	105	(2,887)
General infrastructure	(8,365)	(501)	—	(8,866)
Total accumulated depreciation	<u>(28,781)</u>	<u>(1,633)</u>	<u>105</u>	<u>(30,309)</u>
Total capital assets-depreciable, net	<u>23,027</u>	<u>5,502</u>	<u>2</u>	<u>28,531</u>
Business-type activities capital assets, net	<u>\$ 26,673</u>	<u>\$ 5,840</u>	<u>\$ 2</u>	<u>\$ 32,515</u>

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

Governmental activities:

General government	\$ 35,763
Primary and secondary education	893
Higher education	51
Health and human services	12,259
Economic development	1,010
Environment and natural resources	12,928
Public safety, correction, and regulation	47,490
Transportation	525,212
Agriculture	3,614
Total depreciation expense	<u>\$ 639,220</u>

Business-type activities:

N.C. State Fair	\$ 597
USS North Carolina Battleship Commission	120
Agricultural Farmers Market	291
EPA Revolving Loan Fund	25
State Banking Commission	4
ABC Commission	117
Utilities Commission	6
N.C. State Lottery	382
Other business-type activities	91
Total depreciation expense	<u>\$ 1,633</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, 2008, was as follows (dollars in thousands):

University of North Carolina System:

	Balance			Balance
	July 1, 2007			June 30, 2008
	(as restated)	Additions	Deductions	
Capital Assets, nondepreciable:				
Land	\$ 213,224	\$ 19,984	\$ (4,504)	\$ 228,704
Art, literature, and other artifacts	115,145	8,591	(18)	123,718
Intangibles	3,513	13,454	(359)	16,608
Construction in progress	1,148,044	600,034	(460,906)	1,287,172
Total capital assets-nondepreciable	<u>1,479,926</u>	<u>642,063</u>	<u>(465,787)</u>	<u>1,656,202</u>
Capital Assets, depreciable:				
Buildings	6,804,755	600,725	(21,078)	7,384,402
Machinery and equipment	1,428,233	184,051	(60,686)	1,551,598
Art, literature, and other artifacts	2,088	303	—	2,391
General infrastructure	930,211	66,567	(5,228)	991,550
Total capital assets-depreciable	<u>9,165,287</u>	<u>851,646</u>	<u>(86,992)</u>	<u>9,929,941</u>
Less accumulated depreciation for:				
Buildings	(1,882,241)	(164,826)	19,324	(2,027,743)
Machinery and equipment	(917,557)	(118,295)	50,262	(985,590)
Art, literature, and other artifacts	(1,094)	(156)	—	(1,250)
General infrastructure	(327,754)	(29,183)	4,908	(352,029)
Total accumulated depreciation	<u>(3,128,646)</u>	<u>(312,460)</u>	<u>74,494</u>	<u>(3,366,612)</u>
Total capital assets-depreciable, net	<u>6,036,641</u>	<u>539,186</u>	<u>(12,498)</u>	<u>6,563,329</u>
University of North Carolina System				
capital assets, net	<u>\$ 7,516,567</u>	<u>\$ 1,181,249</u>	<u>\$ (478,285)</u>	<u>\$ 8,219,531</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2008, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$25.072 million and net depreciable capital assets of \$141.147 million.

NOTES TO THE FINANCIAL STATEMENTS**Community Colleges:**

	Balance July 1, 2007 (as restated)	Additions	Deductions	Balance June 30, 2008
Capital Assets, nondepreciable:				
Land	\$ 108,731	\$ 14,724	\$ (359)	\$ 123,096
Art, literature, and other artifacts	345	—	—	345
Construction in progress	153,713	146,123	(137,573)	162,263
Total capital assets-nondepreciable	<u>262,789</u>	<u>160,847</u>	<u>(137,932)</u>	<u>285,704</u>
Capital Assets, depreciable:				
Buildings	1,641,525	150,202	(767)	1,790,960
Machinery and equipment	216,959	26,795	(9,686)	234,068
Art, literature, and other artifacts	371	25	—	396
General infrastructure	112,093	5,683	(817)	116,959
Total capital assets-depreciable	<u>1,970,948</u>	<u>182,705</u>	<u>(11,270)</u>	<u>2,142,383</u>
Less accumulated depreciation for:				
Buildings	(412,146)	(35,927)	678	(447,395)
Machinery and equipment	(91,898)	(16,337)	7,642	(100,593)
Art, literature, and other artifacts	(32)	(10)	—	(42)
General infrastructure	(26,479)	(3,944)	1,261	(29,162)
Total accumulated depreciation	<u>(530,555)</u>	<u>(56,218)</u>	<u>9,581</u>	<u>(577,192)</u>
Total capital assets-depreciable, net	<u>1,440,393</u>	<u>126,487</u>	<u>(1,689)</u>	<u>1,565,191</u>
Community Colleges capital assets, net	<u>\$ 1,703,182</u>	<u>\$ 287,334</u>	<u>\$ (139,621)</u>	<u>\$ 1,850,895</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2008, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$2.428 million and net depreciable capital assets of \$2.520 million.