

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 5: CAPITAL ASSETS**

**Primary Government** A summary of changes in capital assets for the year ended June 30, 2020 is presented below (dollars in thousands).

<b>Governmental Activities</b>	<b>Balance July 1, 2019 (as restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>
<b>Capital Assets, nondepreciable</b>				
Land and permanent easements .....	\$ 19,287,419	\$ 770,716	\$ (6,527)	\$ 20,051,608
Art, literature, and other artifacts .....	140,595	4,166	(260)	144,501
Construction in progress .....	3,093,913	2,868,788	(2,824,646)	3,138,055
Computer software in development .....	632,329	80,271	—	712,600
Total Capital Assets-nondepreciable .....	<u>23,154,256</u>	<u>3,723,941</u>	<u>(2,831,433)</u>	<u>24,046,764</u>
<b>Capital Assets, depreciable</b>				
Buildings .....	4,142,465	210,784	(17,767)	4,335,482
Machinery and equipment .....	1,987,651	134,496	(76,354)	2,045,793
General infrastructure .....	357,905	10,145	(1,525)	366,525
State highway system .....	39,804,532	2,635,633	(142,481)	42,297,684
Computer software .....	371,163	2,012	(2,353)	370,822
Total Capital Assets-depreciable .....	<u>46,663,716</u>	<u>2,993,070</u>	<u>(240,480)</u>	<u>49,416,306</u>
<b>Less accumulated depreciation for</b>				
Buildings .....	(1,413,075)	(75,817)	12,600	(1,476,292)
Machinery and equipment .....	(1,173,781)	(106,360)	60,063	(1,220,078)
General infrastructure .....	(128,603)	(8,015)	1,436	(135,182)
State highway system .....	(12,324,564)	(845,954)	139,631	(13,030,887)
Computer software .....	(81,554)	(15,555)	800	(96,309)
Total accumulated depreciation .....	<u>(15,121,577)</u>	<u>(1,051,701)</u>	<u>214,530</u>	<u>(15,958,748)</u>
Total Capital Assets-depreciable, net .....	<u>31,542,139</u>	<u>1,941,369</u>	<u>(25,950)</u>	<u>33,457,558</u>
Governmental activities				
Capital Assets, net .....	<u>\$ 54,696,395</u>	<u>\$ 5,665,310</u>	<u>\$ (2,857,383)</u>	<u>\$ 57,504,322</u>

**NOTES TO THE FINANCIAL STATEMENTS****Business-type Activities**

	Balance July 1, 2019 (as restated)	Increases	Decreases	Balance June 30, 2020
<b>Capital Assets, nondepreciable</b>				
Land and permanent easements .....	\$ 306,888	\$ 167,923	\$ (158)	\$ 474,653
Art, literature, and other artifacts .....	1,277	9	—	1,286
Construction in progress .....	138,040	169,539	(18)	307,561
Total Capital Assets-nondepreciable .....	<u>446,205</u>	<u>337,471</u>	<u>(176)</u>	<u>783,500</u>
<b>Capital Assets, depreciable</b>				
Buildings .....	105,358	396	(242)	105,512
Machinery and equipment .....	27,447	2,201	(1,961)	27,687
General infrastructure .....	20,056	6	(155)	19,907
NC toll road system .....	1,534,469	—	—	1,534,469
Computer software .....	1,685	60	—	1,745
Total Capital Assets-depreciable .....	<u>1,689,015</u>	<u>2,663</u>	<u>(2,358)</u>	<u>1,689,320</u>
<b>Less accumulated depreciation for</b>				
Buildings .....	(46,334)	(2,754)	17	(49,071)
Machinery and equipment .....	(18,121)	(1,830)	1,202	(18,749)
General infrastructure .....	(13,123)	(343)	155	(13,311)
NC toll road system .....	(116,466)	(29,684)	—	(146,150)
Computer software .....	(730)	(184)	—	(914)
Total accumulated depreciation .....	<u>(194,774)</u>	<u>(34,795)</u>	<u>1,374</u>	<u>(228,195)</u>
Total Capital Assets-depreciable, net .....	<u>1,494,241</u>	<u>(32,132)</u>	<u>(984)</u>	<u>1,461,125</u>
Business-type activities				
Capital Assets, net .....	<u>\$ 1,940,446</u>	<u>\$ 305,339</u>	<u>\$ (1,160)</u>	<u>\$ 2,244,625</u>

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

General government .....	\$ 31,382
Primary and secondary education .....	1,735
Higher education .....	86
Health and human services .....	34,108
Economic development .....	1,091
Environment and natural resources .....	20,305
Public safety, corrections, and regulation .....	62,189
Transportation .....	893,408
Agriculture .....	7,397
Total depreciation expense .....	<u>\$ 1,051,701</u>

**Business-type activities**

N.C. State Lottery .....	\$ 527
EPA Revolving Loan .....	10
N.C. Turnpike Authority .....	29,684
Regulatory programs .....	2,571
North Carolina State Fair .....	1,043
Other business-type activities .....	960
Total depreciation expense .....	<u>\$ 34,795</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, 2020, was as follows (dollars in thousands):

<b>University of North Carolina System</b>	<b>Balance July 1, 2019 (as restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>
<b>Capital Assets, nondepreciable</b>				
Land and permanent easements .....	\$ 502,943	\$ 3,771	\$ (973)	\$ 505,741
Art, literature, and other artifacts .....	230,253	9,345	(88)	239,510
Construction in progress .....	894,908	998,215	(669,455)	1,223,668
Computer software in development .....	—	3,084	(2,539)	545
Other intangible assets .....	9,882	—	—	9,882
Total capital assets-nondepreciable .....	<u>1,637,986</u>	<u>1,014,415</u>	<u>(673,055)</u>	<u>1,979,346</u>
<b>Capital Assets, depreciable</b>				
Buildings .....	14,558,094	522,415	(29,563)	15,050,946
Machinery and equipment .....	2,828,545	186,092	(56,803)	2,957,834
Art, literature, and other artifacts .....	202	—	—	202
General infrastructure .....	2,113,521	133,018	(5,666)	2,240,873
Computer software .....	425,200	16,517	(607)	441,110
Other intangible assets .....	5,291	12,858	—	18,149
Total capital assets-depreciable .....	<u>19,930,853</u>	<u>870,900</u>	<u>(92,639)</u>	<u>20,709,114</u>
<b>Less accumulated depreciation for</b>				
Buildings .....	(4,775,559)	(350,892)	20,344	(5,106,107)
Machinery and equipment .....	(1,801,852)	(171,972)	43,418	(1,930,406)
Art, literature, and other artifacts .....	(189)	(5)	—	(194)
General infrastructure .....	(878,384)	(59,515)	2,252	(935,647)
Computer software .....	(220,303)	(66,974)	581	(286,696)
Other intangible assets .....	(1,958)	(119)	—	(2,077)
Total accumulated depreciation .....	<u>(7,678,245)</u>	<u>(649,477)</u>	<u>66,595</u>	<u>(8,261,127)</u>
Total capital assets-depreciable, net .....	<u>12,252,608</u>	<u>221,423</u>	<u>(26,044)</u>	<u>12,447,987</u>
University of North Carolina System capital assets, net .....	<u>\$ 13,890,594</u>	<u>\$ 1,235,838</u>	<u>\$ (699,099)</u>	<u>\$ 14,427,333</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2020, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$101.951 million and net depreciable capital assets of \$122.923 million.

**Service Concession Arrangement for Noble Hall at Western Carolina University**

In August 2016, construction was completed on Noble Hall pursuant to an agreement between Western Carolina University (University) and a third party developer, Collegiate Housing Foundation (Foundation), under which the Foundation designed and built a mixed use facility that includes residential units, commercial, and dining establishments. The building is on land owned by the Board of Trustees of the University's Endowment Fund, a body established under the State of North Carolina, and leased to the Foundation for 40 years. The student housing facility is managed by the University under the terms of the management agreement. The University is operating the facility with budgetary oversight from the Foundation. At the end of the arrangement, the

**NOTES TO THE FINANCIAL STATEMENTS**

Foundation will transfer its interest in the facility at no cost to the University or, if directed by the University, to the Board of Trustees of the University's Endowment Fund.

In order to promote economic, cultural, and community development opportunities, including the creation of employment, and the stimulation of economic activity, the University entered into this agreement with the Foundation to construct the facility. Under this arrangement, the University is responsible for providing electricity to the facility over the course of the 40-year lease agreement. The University reports a liability for \$1.19 million, the present value of this obligation. The University also reports the facility as a capital asset with a carrying amount of \$24.66 million at year-end and a related deferred inflow of resources of \$21.91 million.

**Community Colleges**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2020</b>
	<b>(as restated)</b>			
<b>Capital Assets, nondepreciable</b>				
Land and permanent easements .....	\$ 201,319	\$ 2,943	\$ (379)	\$ 203,883
Art, literature, and other artifacts .....	636	250	—	886
Construction in progress .....	278,933	271,057	(214,132)	335,858
Total capital assets-nondepreciable .....	<u>480,888</u>	<u>274,250</u>	<u>(214,511)</u>	<u>540,627</u>
<b>Capital Assets, depreciable</b>				
Buildings .....	3,452,382	216,476	(8,664)	3,660,194
Machinery and equipment .....	531,102	42,792	(17,094)	556,800
Art, literature, and other artifacts .....	756	15	—	771
General infrastructure .....	240,922	10,268	(462)	250,728
Computer software .....	—	—	—	—
Total capital assets-depreciable .....	<u>4,225,162</u>	<u>269,551</u>	<u>(26,220)</u>	<u>4,468,493</u>
<b>Less accumulated depreciation for</b>				
Buildings .....	(992,770)	(68,040)	5,354	(1,055,456)
Machinery and equipment .....	(236,112)	(28,785)	10,549	(254,348)
Art, literature, and other artifacts .....	(218)	(20)	—	(238)
General infrastructure .....	(68,869)	(5,601)	660	(73,810)
Computer software .....	—	—	—	—
Total accumulated depreciation .....	<u>(1,297,969)</u>	<u>(102,446)</u>	<u>16,563</u>	<u>(1,383,852)</u>
Total capital assets-depreciable, net .....	<u>2,927,193</u>	<u>167,105</u>	<u>(9,657)</u>	<u>3,084,641</u>
Community Colleges				
capital assets, net .....	<u>\$ 3,408,081</u>	<u>\$ 441,355</u>	<u>\$ (224,168)</u>	<u>\$ 3,625,268</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2020, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$13.881 million and net depreciable capital assets of \$8.302 million.