
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: SHORT-TERM DEBT

Primary Government

Beginning January 1, 2005, the State received repayable advances from the Federal Unemployment Account (FUA) to finance an operating deficit in the State's unemployment compensation fund. The tax anticipation notes issued for the period September 30, 2004 through December 31, 2004 were repaid as employer contributions became available beginning January 1, 2005. Once the tax anticipation notes were repaid in total, the State used the employer contributions to reduce the amount of repayable advances requested. The State took additional advances after June 30, 2005, (see Note 23, Subsequent Events); however, all advances from the FUA were repaid in full by September 30, 2005. Advances taken from January 1, 2005 through September 30, 2005, which are repaid in full on or before September 30, 2005 are considered cash flow advances and do not accrue interest provided that the State does not take additional advances from October 1, 2005 through December 31, 2005. The State does not plan to take additional FUA advances through December 31, 2005.

Short-term debt activity for the fiscal year ended June 30, 2005, was as follows (dollars in thousands):

	<u>Balance</u> <u>July 1, 2004</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2005</u>
FUA Advance.....	\$ 251,759	\$ 480,649	\$ (618,718)	\$ 113,690
Anticipation Notes.....	—	269,096	(269,096)	—

Component Units**University of North Carolina System**

North Carolina State University has available commercial paper program financing for short-term credit up to \$60 million to finance capital construction projects. The University's available funds are pledged to the commercial paper program financing with the anticipation of converting to general revenue bond financing in the future. As of June 30, 2005, \$2 million in tax-exempt commercial paper was outstanding.

Commercial paper was issued from the University of North Carolina General Revenue Bonds, Series 2002A, to provide interim financing for the construction of capital projects.

Short-term debt activity for the University of North Carolina System for the fiscal year ended June 30, 2005, was as follows (dollars in thousands):

	<u>Balance</u> <u>July 1, 2004</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2005</u>
Commercial Paper Program.....	\$ 23,841	\$ 153,300	\$ (34,000)	\$ 143,141
