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**NOTES TO THE FINANCIAL STATEMENTS**


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**NOTE 6: SHORT-TERM DEBT**


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**Primary Government**

Beginning January 1, 2006, 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, 2005 through December 31, 2005 were repaid as employer contributions became available beginning January 1, 2006. Once the tax anticipation notes were repaid in total, the State used the employer contributions to pay back the FUA borrowing as of May 31, 2006. Advances taken from January 1, 2006 through September 30, 2006, which are repaid in full on or before September 30, 2006 are considered cash flow advances and do not accrue interest provided that the State does not take additional advances from October 1, 2006 through December 31, 2006. The State does not plan to take additional FUA advances or issue tax anticipation notes through December 31, 2006.

Short-term debt activity for the fiscal year ended June 30, 2006, was as follows (dollars in thousands):

	<u>Balance</u> <u>July 1, 2005</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2006</u>
FUA Advance.....	\$ 113,690	\$ 256,185	\$ (369,875)	\$ —
Anticipation Notes.....	—	77,133	(77,133)	—

**Component Units****University of North Carolina System**

North Carolina State University has available commercial paper program financing for short-term credit up to \$100 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, 2006, \$16 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. Commercial paper was redeemed with proceeds from the University of North Carolina General Revenue Refunding Bonds, Series 2005.

North Carolina A&T University borrowed \$6.168 million June 1, 2006. Proceeds from the note are being used for capital construction projects. The note will be repaid from bond proceeds when the University issues bonds in the fall of 2006.

Short-term debt activity for the University of North Carolina System for the fiscal year ended June 30, 2006, was as follows (dollars in thousands):

	<u>Balance</u> <u>July 1, 2005</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2006</u>
Commercial Paper Program.....	\$ 143,141	\$ 113,000	\$ (122,727)	\$ 133,414
Anticipation Notes.....	—	6,168	—	6,168

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