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**NOTES TO THE FINANCIAL STATEMENTS**


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**NOTE 17: PLEDGED REVENUES**


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**Primary Government****Grant Anticipation Revenue Vehicle Bonds**

The State has pledged future federal transportation revenues to repay \$287.57 million of bonds payable for Grant Anticipation Revenue Vehicle (GARVEE) bonds issued in October 2007. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds are expected to require less than 5% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 15% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is \$355.57 million, payable through 2019. For the current fiscal year, interest paid and total federal transportation revenues were \$5.06 million and \$904.4 million, respectively. The first principal payment is due in 2009.

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

The University of North Carolina System has pledged future revenues, net of specific operating expenses, to repay revenue bonds and certificates of participation as shown in the table below (dollars in thousands):

Purpose	Revenue Source	Future Revenues Pledged		Current Year		Final Maturity Date	Bonds Payable as of 6/30/2008
		Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments		
<b>Revenue Bonds</b>		(1)					
Housing and Dining	Housing/Dining Revenues	\$ 337,764	4.00% - 74.00%	\$ 103,299	\$ 17,198	2034	\$ 132,845
Utilities	Utilities Revenues	88,889	24.00% - 30.00%	29,241	4,938	2024	57,932
Health Care Facilities	Patient Service Revenues	502,107	7.50% - 59.00%	77,398	26,928	2031	354,385
Other	Various	102,138	0.10% - 82.00%	41,680	9,774	2033	55,664
Total		<u>\$ 1,030,898</u>		<u>\$ 251,618</u>	<u>\$ 58,838</u>		<u>\$ 600,826</u>
<b>Certificates of Participation</b>							
Student Housing System	Housing Revenues	\$ 40,623	32.74% - 80.00%	\$ 1,812	\$ 1,490	2036	\$ 23,015
Banner System	Tuition/Administrative Fees	4,757	66.62%	1,049	794	2014	4,150
Total		<u>\$ 45,380</u>		<u>\$ 2,861</u>	<u>\$ 2,284</u>		<u>\$ 27,165</u>

(1) The Future Revenues Pledged Amount is equivalent to the total principal and interest remaining to be paid on the associated bonds.

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**NOTES TO THE FINANCIAL STATEMENTS****North Carolina Housing Finance Agency**

The North Carolina Housing Finance Agency (The Agency) has collateralized \$1.48 billion in mortgage loans receivable, \$160.94 million in reserves, and \$71.39 million in program funds to repay \$1.57 billion single family and multiple family bonds payable at June 30, 2008. Proceeds from the bonds issued were utilized to finance housing opportunities throughout North Carolina. The bonds are payable through 2039 and are paid down from cash collections on mortgage loans receivable, interest receivable on mortgage loans, unexpended bond proceeds, and sale of investments. The Agency expects 100% of the mortgage loans, both principal and interest to pay the principal and interest debt service on the bonds. The total principal and interest remaining to be paid on bonds is \$2.86 billion. For the current fiscal year, principal and interest paid and total collections on mortgage loans receivable were \$108.72 million and \$100.67 million respectively.

**State Education Assistance Authority**

The State Education Assistance Authority has collateralized \$3.21 billion in student loans receivable and \$172.22 million in reserves to repay \$3.69 billion bonds payable for tax exempt and tax guaranteed student loan revenue bonds and taxable guaranteed student loan private placement bonds issued between fiscal years 1997- 2008. Proceeds from the bonds issued were utilized to finance student loans. The bonds are payable through 2037 and are paid down from cash collections on student loans receivable, interest earnings on loans and investments, and unexpended bond proceeds. In addition to cash collections on student loans receivable, all net available revenues are expected to be pledged to meet annual principal and interest payments on the bonds. For the current fiscal year, principal and interest paid, cash collections on student loans receivable, and net available revenues were \$319.11 million, \$364.27 million and \$125.13 million respectively. The total principal and interest remaining to be paid on the bonds is \$7.39 billion.

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