

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: PLEDGED REVENUES

Primary Government**Grant Anticipation Revenue Vehicle Bonds**

The State has pledged future federal transportation revenues to repay \$241.82 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2009. These bonds were 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 \$296.244 million, payable through 2019. For the current fiscal year, principal and interest paid and total federal transportation revenues were \$59.33 million and \$1.119 billion, respectively.

Employer Unemployment Tax Contributions

The State has pledged future unemployment tax contributions from employers to repay \$728.773 million in repayable advances from the Federal Unemployment Account. The debt is currently interest free through December 31, 2010. Proceeds from the advances were used to pay unemployment benefits because of an operating deficit in the State's Unemployment Compensation Fund.

The repayable advances are payable solely from the unemployment tax contributions and these contributions will be used specifically for paying down the debt until it is settled. Meanwhile, the unemployment benefits will continue to be paid from the repayable advances.

Total revenue collected from unemployment tax contributions for the year was \$1.013 billion. Prior to February 11, 2009, unemployment tax contributions were used to pay benefits. After February 11, 2009, employer tax contributions were used to pay down the principal on the repayable advances in the amount of \$352.078 million.

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 6/30/2009
		Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments		
Revenue Bonds		(1)					
Housing and Dining	Housing/Dining Revenues	\$ 173,608	2.21% - 74.00%	\$ 62,468	\$ 14,899	2034	\$ 117,623
Utilities	Utilities Revenues	87,678	22.00% - 30.00%	33,085	4,158	2024	59,879
Health Care Facilities	Patient Service Revenues	158,974	38.00% - 100.00%	21,264	11,165	2034	110,925
Other	Various	53,603	0.10% - 307.00%	22,866	7,228	2033	39,446
Total		<u>\$ 473,863</u>		<u>\$ 139,683</u>	<u>\$ 37,450</u>		<u>\$ 327,873</u>
Certificates of Participation							
Student Housing System	Housing Revenues	\$ 39,132	71.75% - 77.00%	\$ 1,972	\$ 1,491	2036	\$ 22,540
Banner System	Tuition/Administrative Fees	3,962	60.00%	1,323	795	2014	3,520
Total		<u>\$ 43,094</u>		<u>\$ 3,295</u>	<u>\$ 2,286</u>		<u>\$ 26,060</u>

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

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

The North Carolina Housing Finance Agency (The Agency) has collateralized \$1.45 billion in mortgage loans receivable, \$160.14 million in reserves, and \$2.24 million in program funds to repay \$1.518 billion single family and multiple family bonds payable at June 30, 2009. 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 \$2.717 billion. For the current fiscal year, principal and interest paid and net available revenue on mortgage loans receivable were \$61.815 million and \$93.925 million respectively.

State Education Assistance Authority

The State Education Assistance Authority has collateralized \$3.82 billion in student loans receivable and \$106.87 million in reserves to repay \$3.994 billion bonds payable at June 30, 2009. These tax exempt and tax guaranteed student loan revenue bonds and taxable guaranteed student loan private placement bonds were issued between fiscal years 2001 to 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 and total net available revenues were \$353.87 million and \$400.91 million respectively. The total principal and interest remaining to be paid on the bonds is \$5.876 billion.
