NEW ISSUE

Ratings: Fitch "AAA"; Moody's "Aaa"; S&P "AAA"
See "MISCELLANEOUS—Bond Ratings" herein.

Subject to compliance by the State of Utah with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the 2010A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. ***Interest on the 2010B Bonds is includable in gross income of the owners thereof for federal income tax purposes****. In the opinion of Bond Counsel, under the existing laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See "LEGAL MATTERS" herein for a more complete discussion.*

State of Utah

$412,990,000 General Obligation Bonds, Series 2010A

$621,980,000 Federally Taxable General Obligation Bonds, Series 2010B

(Issuer Subsidy–Build America Bonds)

The $412,990,000 General Obligation Bonds, Series 2010A and the $621,980,000 Federally Taxable General Obligation Bonds, Series 2010B (Issuer Subsidy–Build America Bonds), are issuable by the State of Utah as fully–registered bonds and will be initially issued in book–entry form through The Depository Trust Company, Clearstream Banking or Euroclear, all which may act as securities depository for the Bonds. See "APPENDIX F—BOOK–ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Principal of and interest on the Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2011) are payable by U.S. Bank National Association, Corporate Trust Services, as Paying Agent, to the registered owners thereof. See "THE BONDS—Book–Entry System" herein.

The 2010A Bonds are not subject to redemption prior to maturity. The 2010B Bonds are subject to optional, extraordinary optional and mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions" herein.

The Bonds are general obligations of the State of Utah, for which the full faith, credit and resources of the State of Utah are pledged for the payment of principal and interest, and for which payment a tax may be levied, without limitation as to rate or amount, on all property in the State of Utah subject to taxation for State of Utah purposes. See "THE BONDS—Security For The Bonds" herein.

Dated: Date of Delivery[1] **Due:** July 1, as shown on the inside front cover

See the inside front cover for the maturity of the Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This OFFICIAL STATEMENT is dated September 23, 2010, and the information contained herein speaks only as of that date.

Goldman, Sachs & Co. [2] **J.P. Morgan** [2]

Jefferies & Company **Morgan Stanley** **Wells Fargo Securities**

George K. Baum & Company **Seattle–Northwest Securities Corporation**

1 The anticipated date of delivery is Thursday, September 30, 2010.
2 Joint Bookrunner for the Bonds.

Dated: Date of Delivery[1] **Due: July 1, as shown below**

$412,990,000 General Obligation Bonds, Series 2010A

Due July 1	CUSIP 917542	Principal Amount	Interest Rate	Yield
2011……	RA 2	$39,600,000	4.00%	0.24%
2012……	RB 0	9,965,000	2.00	0.46
2012……	RF 1	40,280,000	5.00	0.46
2013……	QX 3	1,200,000	3.00	0.63
2013……	RD 6	54,235,000	5.00	0.63
2014……	QY 1	2,990,000	3.00	0.86
2014……	RE 4	55,045,000	5.00	0.86
2015……	RH 7	1,000,000	1.75	1.16
2015……	RJ 3	5,725,000	3.00	1.16
2015……	RK 0	82,910,000	5.00	1.16
2016……	QZ 8	3,165,000	3.00	1.43
2016……	RL 8	10,000,000	4.00	1.43
2016……	RM 6	67,960,000	5.00	1.43
2017……	RC 8	3,915,000	3.00	1.73
2017……	RG 9	35,000,000	4.00	1.73

$621,980,000 Federally Taxable General Obligation Bonds, Series 2010B

(Issuer Subsidy–Build America Bonds)

Due July 1	CUSIP 917542	ISIN US917542	Common Codes	Principal Amount	Interest Rate	Price
2019……	QW 5	QW53	054654405	$ 29,470,000	3.189%	100%
2020……	QT 2	QT25	054654421	101,775,000	3.289	100
2021……	QU 9	QU97	054654456	102,480,000	3.369	100

$388,255,000 3.539% Term Bond due July 1, 2025—Price 100%

(CUSIP 917542 QV 7; ISIN US917542QV70; Common Codes 054654472) Average Life: 13.149 years

[1] The anticipated date of delivery is Thursday, September 30, 2010.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by either the State of Utah (the "State"); Zions Bank Public Finance, Salt Lake City, Utah (as Financial Advisor); U.S. Bank National Association, Corporate Trust Services (as Bond Registrar and Paying Agent); or any other entity. All information contained herein has been obtained from the State, The Depository Trust Company, Clearstream Banking, and Euroclear and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the State since the date hereof.

The Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

The yields at which the Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this OFFICIAL STATEMENT. In addition, the Underwriters (as defined herein) may allow concessions or discounts from the initial offering prices of the Bonds to dealers and others. In connection with the offering of the Bonds, the Underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Bonds. Such transactions may include overallotments in connection with the purchase of Bonds, the purchase of Bonds to stabilize their market price and the purchase of Bonds to cover the Underwriter's short positions. Such transactions, if commenced, may be discontinued at any time.

Cautionary Statements Regarding Forward–Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute "forward–looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "project," "forecast," "expect," "estimate," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward–looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward–looking statements. The State does not plan to issue any updates or revisions to those forward–looking statements if or when its expectations change, or events, conditions or circumstances on which such statements are based, occur.

The CUSIP (the Committee on Uniform Securities Identification Procedures); ISIN and Common Codes identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP, ISIN and Common Codes numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

The information available at the Web sites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the Bonds and is not a part of this OFFICIAL STATEMENT.

Information concerning offering restrictions in certain jurisdictions outside the United States

Minimum unit sales outside the United States. *For any sales made outside the United States, the Bonds will trade and settle on a unit basis (one unit equaling one bond of $5,000 principal amount), and the minimum purchase and trading amount is 20 units (being 20 Bonds in an aggregate principal amount of $100,000 U.S.).*

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Underwriter (as defined herein) has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of any Bonds which are the subject of the offering contemplated by this OFFICIAL STATEMENT to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Commission; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any Bonds referred to in (a) through (d) above shall require the Commission or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom. Each Underwriter has represented and agreed that:

(a) in relation to any Bonds having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the Commission;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Commission; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Bonds in, from or otherwise involving the United Kingdom.

Australia. No prospectus, product disclosure statement or other disclosure document (as defined in the Corporations Act) in relation to the Bonds has been, or will be, lodged with the Australian Securities and Investments Commission ("ASIC"). Each Joint Lead Manager has represented and agreed that it: (a) has not (directly or indirectly) offered for issue or sale or invited applications for the issue or offers to purchase, and will not offer for issue or sale or invite applications for the issue or offers to purchase, made or invited, and will not make or invite, an offer of any Bonds for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering or information memorandum, advertisement or other offering material relating to the Bonds in Australia, unless (i) the minimum aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act and is not an offer to a "retail client" under Chapter 7 of the Corporations Act, and (ii) such action complies with all applicable laws and directives and does not require any document to be lodged with ASIC.

Belgium. This OFFICIAL STATEMENT is not intended to constitute a public offer in Belgium and may not be distributed to the Belgian public. The Belgian Banking, Finance and Insurance Commission (Commission Bancaire, Financière et des Assurances) has not been notified of the offer under this OFFICIAL STATEMENT pursuant to Article 32 of the Belgian law of 16 June 2006 on the Public Offering of Securities and the Admission of Securities to Trade on Regulated Markets (the "Prospectus Law") nor has this OFFICIAL STATEMENT been, or will it be, approved by the Belgian Banking, Finance and Insurance Commission pursuant to Article 23 of the Prospectus Law. Accordingly, each Underwriter has represented and agreed that it will not offer or sell the Bonds or distribute this OFFICIAL STATEMENT or any other information, document, brochure or similar document, directly or indirectly, to any person in Belgium other than to investors who are required to acquire Bonds for an amount of at least €50,000 (or its equivalent in foreign currencies) per investor, for each separate offer, as specified in article 3, §2 c) of the Prospectus Law.

Brazil. The Bonds have not been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários–CVM). The Bonds may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile. Neither the Commission nor the Bonds offered herein are registered in the Securities Registry maintained by the Chilean Superintendency of Securities and Insurance (Superintendencia de Valores y Seguros de Chile, the "SVS") pursuant to the Chilean Securities Market Law 18,045, as amended and restated, and supplemental rules enacted thereunder ("Law 18,045"). Accordingly, the Bonds may not be offered in Chile except in circumstances which do not constitute a public offer of securities in Chile within the meaning of Article 4 of Law 18,045.

This prospectus is confidential and personal to each offeree and does not constitute an offer to any other person or to the general public in Chile to acquire the Bonds. Distribution of the prospectus in Chile to any person other than the offeree is unauthorized, and any disclosure of any of the contents of the prospectus within Chile without our prior written consent is prohibited.

Each prospective investor in Chile, by accepting the delivery of this prospectus, agrees to the foregoing and will not make photocopies or any other reproduction, either physical or electronic, of the prospectus or any other documents referred to herein.

Colombia. The registration at the Issuers and Securities National Registry ("Registro Nacional de Valores y Emisores") does not imply any rating nor any responsibility from the Superintendence of Finance in relation to the registered entities nor to the price, negotiability and kindness of the securities nor of the respective issue, nor of the solvency of the issuer.

Denmark. The OFFICIAL STATEMENT is not intended to constitute a public offering in Denmark and will not be registered with and has not been approved by or otherwise published by the Danish Financial Supervisory Authority, the Danish Securities Council or the Danish Commerce and Companies Agency under the relevant Danish acts and regulations. The Bonds have not been offered or sold and may not be offered or sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with Chapter 6 of the Danish Securities Trading Act and Executive Orders, including Executive Order no 223 of 10 March 2010 issued pursuant thereto from time to time.

Dubai International Financial Centre. Each Underwriter has represented and agreed that it has not offered and will not offer the Bonds to be issued to any person in the Dubai International Financial Centre unless such offer is:

(a) deemed to be an "Exempt Offer" in accordance with the offered securities rules of the Dubai Financial Services Authority (the "DFSA"); and

(b) made only to persons who meet the professional client criteria set out in Rule 2.3.2 of the DFSA conduct of business module.

France. Each of the Underwriters has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this OFFICIAL STATEMENT or any other offering material relating to the Bonds and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (investisseurs qualifiés), other than individuals, all as defined in, and in accordance with, Articles L.411–1, L.411–2 and D.411–1 to D.411–3 of the French Code monétaire et financier.

Germany. Each of the Underwriters has represented and agreed that in Germany the Bonds will be offered only to qualified investors within the meaning of §2(6) of the German Securities Prospectus Act (Wertpapierprospektgesetz), or to investors who acquire the Bonds for a total consideration of at least $100,000 U.S. per investor for each separate offer, or otherwise in compliance with German law and that in making any such offers any applicable German laws or regulations will be complied with.

Grand Duchy of Luxembourg. In addition to the cases described in the section "EEA" in which each Underwriter can make an offer of the Bonds to the public in an European Economic Area Member State (including the Grand Duchy of Luxembourg) (Luxembourg), each Underwriter can also make an offer of the Bonds to the public in Luxembourg:

(a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;

(b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and

(c) at any time, to certain natural persons or small and medium–sized enterprises (as defined in the Law of 10 dated July, 2005 on Prospectus for Securities implementing the Prospective Directive into Luxembourg law) recorded in the register of natural persons or small and medium–sized enterprises considered as qualified investors as held by the Commission de Surveillance du Secteur Financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

Hong Kong. Each Underwriter has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any of the Bonds other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the OFFICIAL STATEMENT being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

India. Each Underwriter has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in India, by means of this OFFICIAL STATEMENT or any other document, any Bonds in circumstances which would constitute an offering to the public within the meaning of the (Indian) Companies Act, 1956;

(b) this OFFICIAL STATEMENT and any document by means of which it offers the Bonds will not be generally distributed or circulated in India and will be for the sole consideration and exclusive use of the persons permitted to acquire Bonds under Indian law to whom it is issued; and

(c) the Bonds will not be offered, directly or indirectly, to persons exceeding 49 in number in India or any other number as may be specified under the (Indian) Companies Act, 1956 from time to time.

This OFFICIAL STATEMENT is strictly personal to the recipient and neither this OFFICIAL STATEMENT nor the issue is calculated to result, directly or indirectly, in the securities becoming available for subscription or purchase by persons other than those receiving the invitation or offer.

The Bonds have not been approved by the Securities and Exchange Board of India, reserve bank of India or any other regulatory authority of India, nor have the foregoing authorities approved this OFFICIAL STATEMENT or confirmed the accuracy or determined the adequacy of the information contained in this OFFICIAL STATEMENT. This OFFICIAL STATEMENT has not been and will not be registered as a prospectus or a statement in lieu of prospectus with the Registrar of Companies in India.

Prospective investors from India must seek legal advice as to whether they are entitled to subscribe to the Bonds and must comply with all relevant Indian laws in this respect. Each investor is deemed to have acknowledged and agreed that it is eligible and permitted to invest in the Bonds under applicable laws and regulations in India and that it is not prohibited under any law or regulation in India from acquiring, owning or selling the Bonds.

Ireland. The Bonds may be offered, sold or placed in Ireland only in the circumstances described in Regulation 9(1)(a), (b) or (c) of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland. The Bonds may not be offered, sold or placed in Ireland in any other circumstances.

Italy. The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, each Underwriter has represented and agreed that it has not offered, sold or delivered, will not offer, sell or deliver, has not distributed and will not distribute and has not made and will not make available in Italy any Bonds, the OFFICIAL STATEMENT nor any other offering material relating to the Bonds other than:

(a) to qualified investors (investitori qualificati), as defined pursuant to Articles 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and Article 34–ter, first paragraph, letter b) of Consob Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation no. 1971"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34–ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the OFFICIAL STATEMENT or any other document relating to the bonds in Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree no. 385 of September 1, 1993, as amended from time to time (the "Banking Act"), and Consob Regulation no. 16190 of October 29, 2007 (as amended);

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(iii) in accordance with any other applicable laws and regulations or requirement imposed by Consob or other Italian authority.

Please note that in accordance with Article 100–Bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Japan. The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA"). Accordingly, the Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws and regulations of Japan.

For the primary offering of the Bonds, the Bonds and the solicitation of an offer for acquisition thereof have not been and will not be registered under Paragraph 1, Article 4 of the FIEA. As it is a primary offering, the Bonds may only be offered, sold, resold or otherwise transferred, directly or indirectly to, or for the benefit of, (i) a person who is not a resident of Japan or (ii) a Qualified Institutional Investor ("QII") defined in Article 10 of the Cabinet Ordinance Concerning definitions under Article 2 of the FIEA (Ordinance No. 14 of 1993, as amended). A person who purchased or otherwise obtained the Bonds cannot resale or otherwise transfer the Bonds in Japan to any person except another QII.

Korea. No registration statement for the offering and sale of the Bonds has been filed with the Financial Services Commission of Korea. Accordingly, no Bonds may be offered, sold or delivered, directly or indirectly, in Korea or to, or for the benefit of, any Korean resident (as such term is defined in the Foreign Exchange Transaction law of Korea), except as otherwise permitted by applicable Korean laws and regulations. Furthermore, a holder of the Bonds will be prohibited from offering, delivering or selling any Bonds, directly or indirectly, in Korea or to any Korean resident, except as may be permitted by applicable Korean laws and regulations.

Mexico. The Bonds offered hereby are not and will not be registered in the National Securities Registry (Registro Nacional de Valores) maintained by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). The Bonds may not be publicly offered or sold in Mexico without the applicability of an exemption for the private placement of securities pursuant to the Mexican securities law. In making an investment decision, you should rely on your own review and examination. The Bonds are not being offered and may not be offered nor acquired within the territory of the United Mexican States.

Netherlands. Each Underwriter has undertaken that in relation to the issue of the Bonds it has not and will not, directly or indirectly, offer, sell, transfer or deliver any Bond as part of their initial distribution or at any time thereafter (including rights representing an interest in a global bond) to individuals or legal entities who or which are established, domiciled or have their residence in the Netherlands other than for a minimum consideration of €50,000, or the equivalent in another currency than Euro, per investor.

Norway. This OFFICIAL STATEMENT has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither this OFFICIAL STATEMENT nor any other offering material relating to the offering or the Bonds constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 29 June 2007. The Bonds may not be offered or sold, directly or indirectly, in Norway except;

(a) in respect of an offer of Bonds addressed to investors subject to a minimum purchase of Bonds for a total consideration of not less than €50,000 per investor;

(b) to "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 No. 876, being;

(i) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in Bonds ;

(ii) any legal entity which is registered as a professional investor with the Norwegian Financial Supervisory Authority (No. Finanstilsynet) and which has two or more of; (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and who meets two or more of the following criteria; (1) has an average execution of at least ten (10) transactions in securities of significant volume per quarter for the last four quarters; (2) has a portfolio of securities with a market value of at least €500,000; (3) has worked or works, for at least one (1) year, within the financial markets in a position which presupposes knowledge of investing in securities;

(c) to fewer than 100 natural or legal persons (other than "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 No. 876), subject to obtaining the prior consent of the Underwriters for any such offer; or

(d) in any other circumstances provided that no such offer of Bonds shall result in a requirement for the registration, or the publication by the Commission or any Underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Peru. The Bonds and the information contained in this OFFICIAL STATEMENT have not been and will not be registered with or approved by the Peruvian Securities Exchange Commission (Comisión Nacional Supervisora de Empresas y Valores–CONASEV) or the Lima Securities Exchange (Bolsa de Valores de Lima–BVL). Accordingly, the Bonds cannot be offered or sold in Peru, except if such offer qualifies as a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private if it is directed exclusively to institutional investors.

Portugal. This offer and the OFFICIAL STATEMENT have not been and will not be registered or approved by the Portuguese Securities Market Commission ("Comissão do Mercado dos Valores Mobiliários") nor has a Prospectus recognition procedure been commenced with the Portuguese Securities Market Commission and therefore the offering of the Bonds is not addressed to investors resident and/or located in Portugal and cannot be made to the public in Portugal or under circumstances which are deemed to be a public offer under the Portuguese Securities Code ("Código dos Valores Mobiliários") and other securities legislation and regulations applicable in Portugal. In addition, the OFFICIAL STATEMENT and other offering materials are only being publicly distributed in the jurisdictions where lawful and may not be publicly distributed in Portugal, nor may any publicity or marketing activities related to the offering be conducted in Portugal.

The offering of the Bonds is not addressed to investors residing and/or located in Portugal, and no tenders from investors residing and/or located in Portugal will be accepted, except if those investors are all qualified investors ("investidores qualificados"), as defined in articles 30.º and 110.º–A of the Portuguese Securities Code, or 99 or fewer non–qualified investors, in which case the offering can be made through a private placement ("oferta particular"), in accordance with the relevant provisions of the Portuguese Securities Code.

Singapore. Each Underwriter acknowledges that the OFFICIAL STATEMENT has not been registered as a prospectus with the Monetary Authority of Singapore, and the Bonds will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, each Underwriter represents and agrees that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the OFFICIAL STATEMENT or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act that has subscribed or purchased the Bonds, namely a person who is:

(a) a corporation (that is not an accredited investor" as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Bonds under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or (iv) pursuant to Section 276(7) of the Securities and Futures Act.

Spain. Neither the Bonds nor this OFFICIAL STATEMENT have been or will be verified or registered in the administrative registries of the Spanish Securities Markets Commission (Comisión Nacional de Mercado de Valores), and therefore this OFFICIAL STATEMENT is not intended for any public offer of the Bonds in Spain.

Accordingly, the Bonds may not be offered, sold or distributed in the Kingdom of Spain except in circumstances which do not constitute a public offering of securities in the Kingdom of Spain within the meaning of Section 30–Bis of law 24/1988, of 28 July, on the securities market (Ley 24/1988, de 28 de Julio, del Mercado de Valores) as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing law 24/1988, of 28 July, on the securities market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (Real Decreto 1310/2005, de 4 de Noviembre, por el que se dearrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos) and the supplemental rules enacted thereunder or in substitution thereof from time to time.

Sweden. Each Underwriter has represented and agreed, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Bonds or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. Lag (1991:980) om handel med finansiella instrument).

Switzerland. This document is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this OFFICIAL STATEMENT nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of SIX Swiss Exchange Ltd or any other regulated trading facility, and neither this OFFICIAL STATEMENT nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland..

Taiwan. The Bonds have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Law, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the Bonds in Taiwan, the Republic of China.

Thailand. The Bonds have not been approved for marketing and sale in the Kingdom of Thailand by the Securities and Exchange Commission of Thailand. Accordingly, the Bonds may not be offered or sold, or this OFFICIAL STATEMENT or any other documents relating to the offer of the Bonds be distributed, directly or indirectly, in Thailand to any Thai Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time. For this person, "Thai Person" means any person resident in Thailand, including any corporation or other entity organized under the laws of Thailand.

United Arab Emirates (excluding the Dubai International Financial Centre). Each Underwriter has represented and agreed that the Bonds to be issued have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Underwriter has acknowledged that the information contained in this OFFICIAL STATEMENT does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this OFFICIAL STATEMENT is not intended to lead to the conclusions of any contract within the territory of the United Arab Emirates.

OFFICIAL STATEMENT RELATED TO

State of Utah

$412,990,000 General Obligation Bonds, Series 2010A

$621,980,000 Federally Taxable General Obligation Bonds, Series 2010B
(Issuer Subsidy–Build America Bonds)

INTRODUCTION

This OFFICIAL STATEMENT provides information in connection with the issuance and sale by the State of Utah (the "State") of its $412,990,000 General Obligation Bonds, Series 2010A (the "2010A Bonds") and the $621,980,000 Federally Taxable General Obligation Bonds, Series 2010B (Issuer Subsidy–Build America Bonds) (the "2010B Bonds" and collectively with the 2010A Bonds, the "Bonds"). This introduction is only a brief description of the Bonds and the security and source of payment for the Bonds, and is qualified by more complete and detailed information contained in the entire OFFICIAL STATEMENT, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire OFFICIAL STATEMENT. The offering of the Bonds to potential investors is made only by means of the entire OFFICIAL STATEMENT.

When used herein, the terms "Fiscal Year[s] 20YY," and "Fiscal Year[s] End[ed][ing] June 30, 20YY," shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding year and the terms "Calendar Year[s] 20YY," or "Calendar Year[s] End[ed][ing] December 31, 20YY" shall refer to the year beginning on January 1 and ending on December 31 of the year indicated. Capitalized terms used but not otherwise defined herein have the same meaning as given to them in the Resolutions, as hereinafter defined.

Proposed Issuance Of General Obligation Refunding Bonds

In October 2010 the State Bonding Commission anticipates the issuance of approximately $200 million aggregate principal amount of general obligation bonds for refunding purposes. However, the issuance of these bonds is subject to market conditions.

Security

The Bonds are general obligations of the State, for which the full faith, credit and resources of the State are pledged for the payment of principal and interest, and for which payment a tax may be levied, without limitation as to rate or amount, on all property in the State subject to State taxation. The General Obligation Bond Authorization Acts, as defined herein, provide that in each year after issuance of the Bonds, and until all outstanding Bonds are retired, there is levied a direct annual tax on all real and personal property within the State subject to State taxation, sufficient to pay: applicable bond redemption premiums, if any, interest on the Bonds as it becomes due, and principal of the Bonds as it becomes due. The General Obligation Bond Authorization Acts further provide that the direct annual tax imposed under the General Obligation Bond Authorization Acts is abated to the extent money is available from sources other than ad valorem taxes in the sinking funds created by the General Obligation Bond Authorization Acts for the payment of Bond interest, principal, and redemption premiums, if any. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" below.

The State expects that moneys will be available from sources other than ad valorem taxes for deposit into the sinking funds created by the General Obligation Bond Authorization Acts in amounts sufficient to pay principal of and interest on the Bonds when due, thereby enabling the State to abate the ad valorem taxes levied for that purpose. See “THE BONDS—Security For The Bonds” below.

Authority And Purpose

The Bonds are authorized pursuant to the Resolutions, as defined herein, of the State Bonding Commission (the “Commission”) and pursuant to the General Obligation Bond Authorization Acts to provide funds to pay all or a portion of the costs of the State’s capital facilities, higher education and highway construction or reconstruction projects and to pay costs and expenses incident to the issuance of the Bonds. See “THE BONDS—Estimated Sources And Uses Of Funds” below.

Redemption

The 2010A Bonds are not subject to redemption prior to maturity. The 2010B Bonds Bonds are subject to (i) optional redemption prior to maturity at the Make–Whole Redemption Price (defined herein), (ii) mandatory sinking fund redemption prior to maturity, and (iii) extraordinary optional redemption prior to maturity at the redemption price described herein. See “THE BONDS—Redemption Provisions” below.

Registration, Denominations, And Manner Of Payment

The Bonds are issuable only as fully–registered bonds under a global book–entry system and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York. Individual purchases of the Bonds may be made only in book–entry form through the facilities of DTC or, outside the United States, through Clearstream Banking, société anonyme, Luxembourg (“Clearstream Banking”) or the Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”). Clearstream Banking and Euroclear may hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream Banking’s and Euroclear’s names on the books of their respective depositories, which in turn, will hold positions in customers’ securities accounts in such depository’s name on the books of DTC. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “APPENDIX F—BOOK–ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Principal of and interest on the Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2011) are payable by U.S. Bank National Association, Corporate Trust Services, as Paying Agent and Bond Registrar (the “Paying Agent” and “Bond Registrar”), to the registered owners of the Bonds. So long as Cede & Co. is the sole registered owner, as nominee of DTC, it will in turn remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the Bonds, as described under “APPENDIX F—BOOK–ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

So long as DTC or its nominee is the sole registered owner of the Bonds, neither the State nor any Paying Agent will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the Persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the Bonds. Under these same circumstances, references herein and in the Resolutions to the “Bondowners” or “Registered Owners” of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Transfer Or Exchange

Any Bond may be transferred or exchanged in accordance with the provisions of the Resolutions. Bonds may be transferred upon surrender of such Bonds for cancellation and by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer shall be effective until entered on the registration books kept by the Bond Registrar. The Bond Registrar shall require the payment by the Bondholder requesting any transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The State, the Bond Registrar and the Paying Agent may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon and for all other purposes whatsoever. No transfer or exchange of any Bonds shall be required to be made after the Record Date immediately preceding any interest payment date to and including such interest payment date. Record Date means in the case of each interest payment date, the Bond Registrar's close of business on the 15th day of the month next preceding such interest payment date or, if such day is not a regular business day of the Bond Registrar, the next preceding day which is a regular business day of the Bond Registrar (the "Record Date").

For so long as DTC acts as securities depository for the Bonds, DTC or its nominee will be the sole registered owner of the Bonds and beneficial owners may transfer their interests in the Bonds through book–entry transactions as described under "APPENDIX F—BOOK–ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Tax Matters Regarding The Bonds

Subject to compliance by the State with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the 2010A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment used in determining the federal alternative minimum tax for certain corporations. **Interest on the 2010B Bonds is includable in gross income for federal income tax purposes**. In the opinion of Bond Counsel, under the existing laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act.

See "LEGAL MATTERS" below for a more complete discussion.

Professional Services

As of the date of this OFFICIAL STATEMENT, the following have served the State in the capacity indicated in connection with the issuance of the Bonds:

Independent Auditor

Utah State Auditor
Utah State Capitol Complex
East Office Bldg Ste E310
(PO Box 142310)
Salt Lake City UT 84114–2310
801.538.1025 | f 801.538.1383
austonjohnson@utah.gov

Bond Counsel

Chapman and Cutler LLP
201 S Main St Ste 2000
Salt Lake City UT 84111–2266
801.536.1426 | f 801.533.9595
bjerke@chapman.com

Bond Registrar and Paying Agent

U.S. Bank National Association
Corporate Trust Services
170 S Main St Ste 200
Salt Lake City UT 84101
801.534.6083 | f 801.534.6013
kim.galbraith@usbank.com

Financial Advisor

Zions Bank Public Finance
Zions Bank Building
One S Main St 18th Fl
Salt Lake City UT 84133–1109
801.844.7373 | f 801.844.4484
eric.pehrson@zionsbank.com

Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery

The Bonds are offered, subject to prior sale, when, as, and if issued and received by Goldman, Sachs & Co., New York, New York and J.P. Morgan Securities LLC, New York, New York as Joint Bookrunners for the Bonds; with Jefferies & Company, New York, New York; Morgan Stanley, New York, New York; Wells Fargo Securities, New York, New York; George K. Baum & Company, Kansas City, Missouri; and Seattle–Northwest Securities Corporation, Seattle, Washington; as Co–Managers (collectively, the "Underwriters"), subject to the approval of legality by Chapman and Cutler, LLP, Bond Counsel to the State, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General. Certain legal matters will be passed on for the Underwriters by Ballard Spahr LLP. It is expected that the Bonds, in book–entry form, will be available for delivery in New York, New York for deposit with DTC, on or about Thursday, September 30, 2010.

Continuing Disclosure

The State will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the Owners of the Bonds to send certain information annually and to provide notice of certain events to Electronic Municipal Market Access ("EMMA") pursuant to the provisions of paragraph (b)(5) of Rule 15c2–12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Undertaking in "APPENDIX E—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The State has complied in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Resolutions, and Owners of the Bonds are limited to the remedies provided in the Undertaking. See "APPENDIX E—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING–Consequences of Failure of the State to Provide Information." A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Any such failure may adversely affect the marketability of the Bonds.

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the State, the Bonds, and the Resolutions are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolutions are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Resolutions. The "basic documentation" which includes the Resolutions, the closing documents and other documentation, authorizing the issuance of the Bonds and establishing the rights and responsibilities of the State and other parties to the transaction may be obtained from the "contact persons" as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the Bonds is:

Contact Persons-continued

Richard K. Ellis, Utah State Treasurer
and Secretary of the State Bonding Commission
rellis@utah.gov

Utah State Treasurer's Office
State Capitol Complex
350 N State St Ste C180
(PO Box 142315)
Salt Lake City UT 84114–2315
801.538.1042 | f 801.538.1465
treasurer.utah.gov

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Bank Public Finance, Salt Lake City, Utah (the "Financial Advisor"):

Jon Bronson, Managing Director, jon.bronson@zionsbank.com
Brian Baker, Vice President, brian.baker@zionsbank.com
Eric John Pehrson, Vice President, eric.pehrson@zionsbank.com

Zions Bank Public Finance
Zions Bank Building
One S Main St 18th Fl
Salt Lake City UT 84133–1109
801.844.7373 | f 801.844.4484

THE BONDS

General

The Bonds will be dated the date of delivery[1] thereof (the "Dated Date") and will mature on July 1 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The Bonds shall bear interest from the Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the Bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2011. Interest on the Bonds shall be computed on the basis of a 360–day year of 12, 30–day months. U.S. Bank National Association, Corporate Trust Services, is the initial Paying Agent and Bond Registrar with respect to the Bonds.

The Bonds will be issued as fully–registered bonds, initially in book–entry form, in the denomination of $5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

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[1] The anticipated date of delivery is Thursday, September 30, 2010.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2010A Bonds are estimated to be applied as set forth below:

Sources of Funds:

Par amount of the 2010A Bonds	$412,990,000.00
Original issue premium on the 2010A Bonds	55,328,655.50
Total	$468,318,655.50

Uses of Funds:

Bond Proceeds Account (Highway)	$372,744,045.08
Bond Proceeds Account (Buildings)	94,111,000.00
Underwriters' discount on the 2010A Bonds	1,245,242.69
Costs of issuance (1)	218,367.73
Total	$468,318,655.50

The proceeds from the sale of the 2010B Bonds are estimated to be applied as set forth below:

Sources of Funds:

Par amount of the 2010B Bonds	$621,980,000.00

Uses of Funds:

Bond Proceeds Account (Highway)	$619,255,954.92
Underwriters' discount on the 2010B Bonds	2,405,534.01
Costs of issuance (1)	318,511.07
Total	$621,980,000.00

(1) Costs of issuance include legal fees, Financial Advisor fees, rating fees, printing, other miscellaneous expenses and rounding amounts.

Authorization And Purpose Of The Bonds

The Bonds are authorized pursuant to resolutions adopted by the Commission, on July 26, 2010 (the "Parameters Resolution") and on September 23, 2010 (the "Sale Resolution," and collectively with the Parameters Resolution, the "Resolutions") and pursuant to the General Obligation Bond Authorization Acts described below: (i) to provide funds to the Utah Department of Transportation ("UDOT") to pay a portion of the cost of acquiring, constructing, and renovating certain highway projects (the "2010 Highway Projects"); (ii) to provide funds to the Division of Facilities Construction and Management ("DFCM"), a division of the State's Department of Administrative Services, to pay all or a portion of the cost of acquiring land and constructing, reconstructing and renovating State buildings and higher education projects (the "2010 Building Projects" and collectively with the 2010 Highway Projects, the "Projects"); and (iii) to pay costs and expenses incident to the issuance of the Bonds. The Bonds are secured by the full faith, credit, and resources of the State. See "Security For The Bonds" below.

Pursuant to the General Obligation Bond Authorization Acts the Commission is authorized to issue and sell general obligation bonds of the State to provide funds to UDOT and DFCM to pay all or a portion of the costs of the Projects.

The Bonds financing the 2010 Highway Projects are being issued pursuant to the provisions of: (i) Title 63B, Chapter 1a (the "General Obligation Bond Act") of the Utah Code Annotated 1953, as amended (the “Utah Code”); (ii) Section 63B–16–101 of the Utah Code; and (iii) Section 63B–18–401 of the Utah Code; (collectively, the “Highway Project Acts”).

The State’s 2010 Highway Projects include:

Interstate 15 Corridor Expansion (I–15 CORE): The I–15 CORE Project will add two additional lanes on both southbound and northbound Interstate–15 from Lehi City to Spanish Fork City (in Utah County, Utah) a distance of approximately 24 miles; extend the high–occupancy express lanes from Orem to Spanish Fork; rebuild or reconfigure 10 freeway interchanges; add or restore 55 bridges and make other related improvements. Utilizing the fixed–price, best–design procurement method, the project is scheduled for completion in December 2012 with established funding of $1.725 billion.

Mountain View Corridor, Salt Lake County, Utah. Construction on the Mountain View Corridor in Salt Lake County, Utah started in spring 2010 on a 15–mile segment between 5400 South Street and Redwood Road (at approximately 10600 South Street). Initial construction includes building two lanes in each direction with signalized intersections where future interchanges will be located. Future construction will build out the remainder of the corridor by adding interchanges and more lanes to achieve a fully functional freeway when need and funding are determined. The project is funded at $730 million and is scheduled to be complete in 2013.

Other projects. The State will also continue or begin construction on various other projects statewide.

The Bonds financing the 2010 Building Projects are being issued pursuant to the provisions of (i) the General Obligation Bond Act; (ii) Section 63B–17–101 of the Utah Code; (iii) Section 63B–18–102 of the Utah Code; and (iv) Section 63B–19–101 of the Utah Code (collectively, the “Building Acts” and collectively, with the General Obligation Bond Act and the Highway Project Acts, the “General Obligation Bond Authorization Acts”).

The 2010 Building Projects primarily consist of the construction of various buildings and improvements for colleges and universities within the State’s higher education system.

Security For The Bonds

The Bonds are general obligations of the State, for which the full faith, credit and resources of the State are pledged for the payment of principal and interest, and for which payment a tax may be levied, without limitation as to rate or amount, on all property in the State subject to State taxation. The General Obligation Bond Act provides that each year after issuance of the Bonds and until all outstanding Bonds are retired, there is levied a direct annual tax on all real and personal property within the State subject to State taxation, sufficient to pay: applicable bond redemption premiums, if any, interest on the Bonds as it becomes due, and principal of the Bonds as it becomes due. The General Obligation Bond Act further provides that the direct annual tax imposed under the General Obligation Bond Act is abated to the extent money is available from sources, other than ad valorem taxes in the sinking fund created by the General Obligation Bond Act, for the payment of bond interest, principal, and redemption premiums, if any. See “FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters” below.

The State expects that moneys will be available from sources other than ad valorem taxes for deposit into the sinking funds created by the General Obligation Bond Act in amounts sufficient to pay principal of and interest on the Bonds when due, thereby enabling the State to abate the ad valorem taxes levied for that purpose.

Designation Of 2010B Bonds As "Qualified Build America Bonds"

The State will treat the 2010B Bonds as "Qualified Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 ("ARRA") and will apply to receive a cash subsidy from the United States Treasury in connection therewith. See "LEGAL MATTERS—Build America Bonds" below.

Redemption Provisions

The 2010A Bonds

The 2010A Bonds are not subject to redemption prior to maturity.

The 2010B Bonds

Optional Redemption. The 2010B Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part, on any Business Day, at the "Make–Whole Redemption Price". The Make–Whole Redemption Price is a price equal to the greater of (i) 100% of the principal amount of the 2010B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010B Bonds are to be redeemed, discounted to the date on which the 2010B Bonds are to be redeemed on a semi–annual basis, assuming a 360–day year consisting of 12, 30–day months, at the "Treasury Rate" (as defined below) plus 10 basis points, with respect to the 2010B Bonds serial bonds (the 2010B Bonds maturing July 1, 2019 through July 1, 2021, inclusive), or 15 basis points, with respect to the 2010B term bond (the 2010B Bonds maturing July 1, 2025), plus accrued and unpaid interest on the 2010B Bonds to be redeemed on the redemption date.

For purpose of determining the Make–Whole Redemption Price, the following definitions apply:

> "Treasury Rate" means, with respect to any redemption date for a particular 2010B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.
>
> "Comparable Treasury Issue" means, with respect to any redemption date for a particular 2010B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2010B Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010B Bonds to be redeemed.
>
> "Comparable Treasury Price" means, with respect to any redemption date for a particular 2010B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.
>
> "Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the State.
>
> "Reference Treasury Dealer" means each of the four firms, specified by the State from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the State will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

Mandatory Sinking Fund Redemption. The 2010B Bonds maturing on July 1, 2025 are subject to mandatory sinking fund redemption at a price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the dates and in the principal amounts as follows:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
July 1, 2022	$103,250,000
July 1, 2023	104,160,000
July 1, 2024	104,430,000
July 1, 2025 (stated maturity)	76,415,000
Total	$388,255,000

If less than all of the 2010B Bonds maturing on July 1, 2025 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed shall be credited at 100% of the principal amount thereof by the Paying Agent against the obligation of the State on future mandatory sinking fund redemption dates for the 2010B Bonds maturing on July 1, 2025 so redeemed in such order as shall be directed by the State.

The 2010B Bonds redeemed pursuant to mandatory sinking fund redemption will be selected for redemption on a pro rata basis, as described below under "Selection of 2010B Bonds to be Redeemed."

Extraordinary Optional Redemption. The 2010B Bonds are subject to redemption prior to their maturity at the option of the State, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of (i) 100% of the principal amount of the 2010B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010B Bonds are to be redeemed, discounted to the date on which the 2010B Bonds are to be redeemed on a semi–annual basis, assuming a 360–day year consisting of 12, 30–day months, at the Treasury Rate, plus 50 basis points; plus accrued interest on the 2010B Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of ARRA, pertaining to "Build America Bonds") pursuant to which the State's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. For purposes of determining the Extraordinary Optional Redemption Price, "Treasury Rate," shall have the meanings described above under the caption, "Optional Redemption."

Selection of 2010A Bonds to be Redeemed. If less than all 2010A Bonds of any maturity are to be redeemed, the particular 2010A Bonds or portion of 2010A Bonds of such maturity to be redeemed will be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered 2010A Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or a whole multiple thereof, and in selecting portions of such 2010A Bonds for redemption, the Bond Registrar will treat each such 2010A Bond as representing that number of 2010A Bonds of $5,000 denomination that is obtained by dividing the principal amount of such 2010A Bond by $5,000.

Selection of 2010B Bonds to be Redeemed. If less than all of the 2010B Bonds are to be redeemed, the particular maturities of 2010B Bonds to be redeemed at the option of the State will be determined by the State in its sole discretion.

If the 2010B Bonds are registered in book–entry only form and so long as DTC or a successor securities depository is the sole registered owner of such 2010B Bonds, if less than all of the 2010B Bonds of a maturity are called for prior redemption, the particular 2010B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass–through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2010B Bonds are held in book–entry form, the selection for redemption of such 2010B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass–through distribution of principal basis, the 2010B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The State intends that redemption allocations made by DTC be made on a pro rata pass–through distribution of principal basis as described above. However, neither the State nor the Underwriters can provide any assurance that DTC, DTC's Direct and Indirect Participants or any other intermediary will allocate the redemption of 2010B Bonds on such basis. If the 2010B Bonds are not registered in book–entry only form, any redemption of less than all of a maturity of the 2010B Bonds shall be allocated among the registered owners of such 2010B Bonds on a pro–rata basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Paying Agent or Registrar will direct DTC to make a pass–through distribution of principal to the holders of the 2010B Bonds. A Pro Rata Pass–Through Distribution of Principal table is included as "APPENDIX G—Principal Paydown Factor Table–Pro Rata Pass–Through Distribution Of Principal" and reflects the current schedule of mandatory sinking fund redemptions applicable to the 2010B Bonds and the factors applicable to such redemption amounts and remaining bond balances, which is subject to change upon certain optional redemptions.

For purposes of calculation of the "pro rata pass–through distribution of principal," "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the 2010B Bonds.

If the 2010B Bonds are no longer registered in book–entry only form, each owner will receive an amount of 2010B Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the 2010B Bonds of any maturity will continue to be paid to the registered owners of such 2010B Bonds on a pro–rata basis, based on the portion of the original face amount of any such 2010B Bonds to be redeemed.

Notice of Redemption. Notice of redemption shall be given by the Bond Registrar by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of the 2010B Bonds to be redeemed, as of the Record Date, at the address of such owner as it appears on the registration books of the State kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption shall state, among other things, the Record Date, the principal amount of the 2010B Bonds to be redeemed, the redemption date, the place of redemption, the redemption price, and that the interest on the 2010B Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date, and that on the redemption date there will become due and payable on each of the 2010B Bonds to be redeemed at the redemption price thereof and interest accrued thereon to the redemption date, and, if less than all of the 2010B Bonds are to be redeemed, the distinctive numbers of the 2010B Bonds or portions of the 2010B Bonds to be redeemed. Failure to give such notice or any defect therein with respect to any 2010B Bond will not affect the validity of the proceedings for redemption with respect to any other 2010B Bond.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Paying Agent, not later than the opening of business on the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2010B Bonds to be redeemed and that if such moneys will not have been so received the notice will be of no force or effect and the State will not be required to redeem such 2010B Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice.

In addition to the foregoing notice, further notice of such redemption will be given by the Bond Registrar to certain registered securities depositories and national information services as provided in the Resolutions, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Resolutions.

For so long as a book–entry system is in effect with respect to the 2010B Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of the 2010B Bonds. See "THE BONDS—Book–Entry System" below.

Book–Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully–registered securities registered in the name of Cede & Co. (DTC's nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC. See "APPENDIX F—BOOK–ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" for a more detailed discussion of the book–entry system and DTC.

In the event the book–entry system is discontinued, interest on the Bonds will be payable by check or draft of the Paying Agent, mailed to the registered owners thereof at the addresses shown on the registration books of the State kept for that purpose by the Bond Registrar. The principal of all Bonds will be payable by check or draft at the principal office of the Paying Agent.

Debt Service On The Bonds

The 2010A Bonds

Payment Date	Principal	Interest	Period Total	Fiscal Total
January 1, 2011	$ 0.00	$ 4,836,182.36	$ 4,836,182.36	$ 4,836,182.36
July 1, 2011	39,600,000.00	9,566,075.00	49,166,075.00	
January 1, 2012	0.00	8,774,075.00	8,774,075.00	57,940,150.00
July 1, 2012	50,245,000.00	8,774,075.00	59,019,075.00	
January 1, 2013	0.00	7,667,425.00	7,667,425.00	66,686,500.00
July 1, 2013	55,435,000.00	7,667,425.00	63,102,425.00	
January 1, 2014	0.00	6,293,550.00	6,293,550.00	69,395,975.00
July 1, 2014	58,035,000.00	6,293,550.00	64,328,550.00	
January 1, 2015	0.00	4,872,575.00	4,872,575.00	69,201,125.00
July 1, 2015	89,635,000.00	4,872,575.00	94,507,575.00	
January 1, 2016	0.00	2,705,200.00	2,705,200.00	97,212,775.00
July 1, 2016	81,125,000.00	2,705,200.00	83,830,200.00	
January 1, 2017	0.00	758,725.00	758,725.00	84,588,925.00
July 1, 2017	38,915,000.00	758,725.00	39,673,725.00	39,673,725.00
Totals	$412,990,000.00	$76,545,357.36	$489,535,357.36	

The 2010B Bonds

Payment Date	Principal	Interest (1)	Period Total	Fiscal Total
January 1, 2011	$ 0.00	$ 5,429,685.30	$ 5,429,685.30	$ 5,429,685.30
July 1, 2011	0.00	10,740,036.85	10,740,036.85	
January 1, 2012	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2012	0.00	10,740,036.85	10,740,036.85	
January 1, 2013	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2013	0.00	10,740,036.85	10,740,036.85	
January 1, 2014	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2014	0.00	10,740,036.85	10,740,036.85	
January 1, 2015	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2015	0.00	10,740,036.85	10,740,036.85	
January 1, 2016	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2016	0.00	10,740,036.85	10,740,036.85	
January 1, 2017	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2017	0.00	10,740,036.85	10,740,036.85	
January 1, 2018	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2018	0.00	10,740,036.85	10,740,036.85	
January 1, 2019	0.00	10,740,036.85	10,740,036.85	21,480,073.70
July 1, 2019	29,470,000.00	10,740,036.85	40,210,036.85	
January 1, 2020	0.00	10,270,137.70	10,270,137.70	50,480,174.55
July 1, 2020	101,775,000.00	10,270,137.70	112,045,137.70	
January 1, 2021	0.00	8,596,447.83	8,596,447.83	120,641,585.53
July 1, 2021	102,480,000.00	8,596,447.83	111,076,447.83	
January 1, 2022	0.00	6,870,172.23	6,870,172.23	117,946,620.06
July 1, 2022	103,250,000.00 (2)	6,870,172.23	110,120,172.23	
January 1, 2023	0.00	5,043,163.48	5,043,163.48	115,163,335.71
July 1, 2023	104,160,000.00 (2)	5,043,163.48	109,203,163.48	
January 1, 2024	0.00	3,200,052.28	3,200,052.28	112,403,215.76
July 1, 2024	104,430,000.00 (2)	3,200,052.28	107,630,052.28	
January 1, 2025	0.00	1,352,163.43	1,352,163.43	108,982,215.71
July 1, 2025	76,415,000.00 (2)	1,352,163.43	77,767,163.43	77,767,163.43
Totals	$621,980,000.00	$258,674,585.65	$880,654,585.65	

(1) Does not include 35% federal interest rate subsidy payments. The 2010B Bonds are issued as federally taxable 35% interest subsidy "Build America Bonds".

(2) Mandatory sinking fund principal payments from a $388,255,000 3.539% term bond due July 1, 2025.

STATE OF UTAH GOVERNMENTAL ORGANIZATION

The following description of State government emphasizes those functions of government related to finance, administration and planning of State government, and is not intended as a detailed description of all functions of the State's government.

Constitutional Departments

The Constitution of the State (the "State Constitution") divides the powers of government among: the legislative department, the executive department and the judicial department.

Legislative Department. The legislative department is composed of the Senate and the House of Representatives, which constitute the Legislature (the "Legislature"). The Legislature exercises the legislative power of the State and meets in regular session annually beginning in January. The Legislature imposes taxes to provide revenues and makes appropriations to carry out all the activities of State government.

Executive Department. The elected constitutional officers of the executive department are the Governor, Lieutenant Governor, State Auditor, State Treasurer (the "State Treasurer"), and Attorney General. The Governor is the chief executive officer of the State.

Judicial Department. The State Constitution vests the judicial power of the State "in a supreme court, in a trial court of general jurisdiction known as the district court, and in such other courts as the Legislature by statute may establish." Under such authority, the Legislature has established the Court of Appeals, juvenile courts and justice courts.

Certain Other Administrative Bodies

Utah State Tax Commission. The Utah State Tax Commission (the "State Tax Commission") is responsible for, among other things, administering and enforcing the tax laws of the State; formulating State tax policy; assessing certain properties; and collecting various State taxes.

Department of Administrative Services. The Department of Administrative Services coordinates the agencies that provide administrative support to State government and is presently composed of various divisions including, but not limited to, the Division of Finance and DFCM.

Division of Finance. Among other things, the Division of Finance maintains financial accounts for State agencies, maintains a central accounting system, approves accounting systems of State agencies, approves proposed expenditures for the purchase of supplies and services requested by the majority of State agencies, and issues financial reports of the State.

Division of Facilities Construction and Management. DFCM is responsible for the design and construction of the facilities used by all State agencies and institutions with some exceptions. DFCM is also responsible for the leasing of all facilities for State agencies with some exceptions. DFCM also manages and maintains many State facilities and allocates space among State agencies.

Governor's Office of Planning and Budget. The Governor's Office of Planning and Budget prepares the Governor's budget recommendations, monitors state agency expenditures, forecasts and monitors revenues and coordinates state planning activities.

State Building Board. The State Building Board acts as a policy–making board for DFCM. The board is responsible for preparing and maintaining a five–year building plan for the State, establishing design and construction standards for State facilities, and establishing procurement rules relating to State facilities.

State Bonding Commission. The Lieutenant Governor (as designee of the Governor), the State Treasurer, and a third person appointed by the Governor constitute the Commission. The Commission, following authorization by the Legislature, is responsible for the issuance of the State's general obligation and revenue bonds.

Department of Transportation. UDOT is responsible for the planning, design, construction and operation of transportation facilities within the State. The Transportation Commission is a citizen commission charged with policy and programming oversight of UDOT. All expenditures for highway construction projects must be authorized by the Transportation Commission after review and prioritization by UDOT.

DEBT STRUCTURE OF THE STATE OF UTAH

Legal Borrowing Authority

Constitutional Debt Limit. Article XIV, Section 1 of the State Constitution limits the total general obligation indebtedness of the State to an amount equal to 1.5% of the value of the total taxable property of the State, as shown by the last assessment for State purposes previous to incurring such debt. The application of this constitutional debt limit and the additional debt incurring capacity of the State under the Constitution are estimated to be on September 30, 2010 (following the issuance of the Bonds) as follows:

Fair market value of ad valorem taxable property (1)	$279,470,018,301
Uniform fees in lieu of ad valorem taxable property (2)	11,990,434,058
Total fair market value of taxable property	$291,460,452,359
Constitutional debt limit (1.5%)	$4,371,906,785
Less: currently outstanding general obligation debt (net) (3)	(3,285,211,104)
Estimated additional constitutional debt incurring capacity of the State (4)	$1,086,695,681

(1) Based on 2009 taxable values. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" below.

(2) Based on 2009 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.

(3) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

(4) The State is further limited on its issuance of general obligation indebtedness by statute. See in this section "Statutory General Obligation Debt Limit" below.

Statutory General Obligation Debt Limit. Title 63J, Chapter 3, of the Utah Code (the "State Appropriations and Tax Limitation Act"), among other things, limits the maximum general obligation borrowing ability of the State. Under the State Appropriations and Tax Limitation Act, the outstanding general obligation debt of the State at any time may not exceed 45% of the maximum allowable State budget appropriations limit as provided in that act. The State Appropriations and Tax Limitation Act also limit State government appropriations based upon a formula that reflects changes in population and inflation. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments–Spending and Debt Limitations" below.

On occasion, the Legislature has amended the State Appropriations and Tax Limitation Act in order to provide an exemption for certain general obligation highway bonds, including that portion of the Bonds authorized pursuant to the Highway Project Acts, and bond anticipation notes from the limitations imposed by the State Appropriations and Tax Limitation Act. See "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" below.

Using the budget appropriations for Fiscal Year 2010, the statutory general obligation debt limit under the State Appropriations and Tax Limitation Act and additional general obligation debt incurring capacity of the State under that act are as of September 30, 2010, as follows:

Statutory general obligation debt limit (1)	$1,195,710,750
Less: statutorily applicable general obligation debt (net) (2)	(565,035,422)
Remaining statutory general obligation debt incurring capacity	$ 630,675,328

(1) 45% of Fiscal Year 2010 appropriation limit of $2,657,135,000.

(2) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

Authorized General Obligation Bonds and Future General Obligation Bonds Issuance. As of September 30, 2010, the State has approximately $1,198,017,444 aggregate principal amount of additional authorized and unissued general obligation bonds, the proceeds of which bonds, when issued, will be used by the Utah Department of Transportation and DFCM for various capital projects. The authorizations consist of:

- $1,016,081,233 (all of which is exempt from statutory debt limit calculations) for highway projects and $6,131,050 for higher education and building projects from 2009;
- $42,500,000 for development projects from 2008;
- $131,681,761 (all of which is exempt from statutory debt limit calculations) for highway projects from 2007;
- $1,623,400 for capital projects from 2004.

Based on the State's highway and transportation needs, the State anticipates that it will issue a portion of its authorized and unissued general obligation bonds annually over the next three years.

Outstanding General Obligation Indebtedness

In October 2010 the State Bonding Commission anticipates the issuance of approximately $200 million aggregate principal amount of general obligation bonds for refunding purposes. However, the issuance of these bonds is subject to market conditions.

The State has issued general obligation bonds for general administrative buildings, higher education buildings, highways, water and wastewater facilities, flood control facilities, technology, and refunding purposes. As of September 30, 2010, the State expects to have the following principal amounts of general obligation debt outstanding:

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Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2010B (2) (3) (4)	Highways	$621,980,000	July 1, 2025	$ 621,980,000
2010A (3)	Building/highways	412,990,000	July 1, 2017	412,990,000
2009D (2) (4)	Highways	491,760,000	July 1, 2024	491,760,000
2009C (5)	Building/highways	490,410,000	July 1, 2018	490,410,000
2009B	Various purpose	104,450,000	July 1, 2015	104,000,000
2009A (2)	Highways	394,360,000	January 1, 2024	370,695,000
2007 (6)	Various purpose	75,000,000	July 1, 2014	47,265,000
2004B (7)	Various purpose	140,635,000	July 1, 2019	64,725,000
2004A (8)	Refunding	314,775,000	July 1, 2016	275,465,000
2003A (9) (10)	Various purpose	407,405,000	July 1, 2013 (11)	122,975,000
2002B (2)	Refunding	253,100,000	July 1, 2012	116,620,000
2002A (10)	Various purpose	281,200,000	July 1, 2011 (11)	6,325,000
Total principal amount of outstanding general obligation debt (12)				$3,125,210,000

(1) Unless otherwise indicated, the outstanding general obligation bonds of the State are currently rated "AAA" by Fitch Inc. ("Fitch"); "Aaa" by Moody's Investors Service, Inc. ("Moody's); and "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), as of the date of this OFFICIAL STATEMENT.
(2) These bonds are exempt from statutory debt limit calculations.
(3) $333,280,000 of these bonds is exempt from statutory debt limit calculations.
(4) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(5) $363,630,000 of these bonds is exempt from statutory debt limit calculations.
(6) $42,080,000 of these bonds is exempt from statutory debt limit calculations.
(7) $37,525,000 of these bonds is exempt from statutory debt limit calculations.
(8) $96,565,000 of these bonds is exempt from statutory debt limit calculations.
(9) $121,975,000 of these bonds is exempt from statutory debt limit calculations.
(10) Portions of this bond issue were refunded by the 2004A Bonds.
(11) Final maturity date after the refunding effected by the 2004A Bonds.
(12) For accounting purposes, the outstanding debt as shown above must be increased by the premium associated with debt issued and reduced by deferred amounts on refundings that are reported in the long–term debt notes of the State's financial statements. For accounting purposes, the total unamortized bond premium is $165,891,509 and the total deferred amount on refundings is $5,890,406 (as of September 30, 2010), together with current debt outstanding of $3,125,210,000 (including the 2010 Bonds), results in total outstanding net direct debt of $3,285,211,104.

(Source: Division of Finance.)

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Debt Service Schedule Of Outstanding General Obligation Bonds By Fiscal Year (1)

Fiscal Year Ending June 30	Series 2010B $621,980,000 Principal	Series 2010B Interest (2)	Series 2010A $412,990,000 Principal	Series 2010A Interest	Series 2009D $491,760,000 Principal	Series 2009D Interest (2)	Series 2009C $490,410,000 Principal	Series 2009C Interest	Series 2009B $104,450,000 Principal	Series 2009B Interest
2011………	$ 0	$ 5,429,685	$ 0	$ 4,836,182	$ 0	$ 22,098,170	$ 0	$ 21,715,500	$ 450,000	$ 4,169,000
2012………	0	21,480,074	39,600,000	18,340,150	0	22,098,170	4,085,000	21,674,650	19,175,000	3,776,500
2013………	0	21,480,074	50,245,000	16,441,500	0	22,098,170	35,225,000	21,127,950	19,950,000	2,994,000
2014………	0	21,480,074	55,435,000	13,960,975	0	22,098,170	97,950,000	18,750,050	20,775,000	2,179,500
2015………	0	21,480,074	58,035,000	11,166,125	0	22,098,170	71,545,000	15,264,375	21,600,000	1,332,000
2016………	0	21,480,074	89,635,000	7,577,775	0	22,098,170	74,080,000	11,873,750	22,500,000	450,000
2017………	0	21,480,074	81,125,000	3,463,925	0	22,098,170	69,165,000	8,416,438	–	–
2018………	0	21,480,074	38,915,000	758,725	0	22,098,170	67,495,000	5,089,688	–	–
2019………	0	21,480,074	–	–	0	22,098,170	70,865,000	1,721,625	–	–
2020………	29,470,000	21,010,175	–	–	74,145,000	20,558,179	–	–	–	–
2021………	101,775,000	18,866,586	–	–	87,715,000 (4)	17,020,917	–	–	–	–
2022………	102,480,000	15,466,620	–	–	86,740,000 (4)	13,048,576	–	–	–	–
2023………	103,250,000 (3)	11,913,336	–	–	90,825,000 (4)	9,005,421	–	–	–	–
2024………	104,160,000 (3)	8,243,216	–	–	64,420,000 (4)	5,470,493	–	–	–	–
2025………	104,430,000 (3)	4,552,216	–	–	87,915,000 (4)	2,001,825	–	–	–	–
2026………	76,415,000 (3)	1,352,163	–	–	–	–	–	–	–	–
Totals……..	$621,980,000	$258,674,586	$412,990,000	$ 76,545,357	$491,760,000	$265,988,943	$ 490,410,000	$ 125,634,025	$ 104,450,000	$ 14,901,000

Fiscal Year Ending June 30	Series 2009A $394,360,000 Principal	Series 2009A Interest	Series 2007 $75,000,000 Principal	Series 2007 Interest	Series 2004B $140,635,000 Principal	Series 2004B Interest	Series 2004A $314,775,000 Principal	Series 2004A Interest	Series 2003A $407,405,000 Principal	Series 2003A Interest
2011………	$ 23,665,000	$ 17,497,519	$ 10,185,000	$ 2,407,675	$ 25,755,000	$ 3,880,125	$ 39,310,000	$ 14,151,150	$ 50,025,000	$ 7,399,375
2012………	23,680,000	16,608,494	15,030,000	1,777,300	30,600,000	2,471,250	40,830,000	12,548,350	15,100,000	5,771,250
2013………	23,680,000	15,742,669	10,300,000	1,195,550	3,575,000	1,616,875	11,245,000	11,450,625	52,575,000	4,079,375
2014………	23,680,000	14,884,494	10,720,000	775,150	3,750,000	1,433,750	18,480,000	10,707,500	55,300,000	1,382,500
2015………	23,680,000	13,789,519	11,215,000	280,375	3,950,000	1,241,250	73,595,000	8,405,625	0	0 (5)
2016………	25,265,000	12,690,394	–	–	4,125,000	1,039,375	73,910,000	4,718,000	0	0 (5)
2017………	25,265,000	11,602,144	–	–	4,350,000	827,500	57,405,000	1,435,125	0	0 (5)
2018………	25,265,000	10,389,394	–	–	4,550,000	605,000	–	–	–	–
2019………	25,265,000	9,171,594	–	–	4,800,000	371,250	–	–	–	–
2020………	25,265,000	7,979,744	–	–	5,025,000	125,625	–	–	–	–
2021………	29,930,000	6,625,819	–	–	–	–	–	–	–	–
2022………	29,930,000	5,129,319	–	–	–	–	–	–	–	–
2023………	29,930,000	3,632,819	–	–	–	–	–	–	–	–
2024………	59,860,000	2,174,019	–	–	–	–	–	–	–	–
2025………	–	–	–	–	–	–	–	–	–	–
2026………	–	–	–	–	–	–	–	–	–	–
Totals……..	$394,360,000	$147,917,938	$ 57,450,000	$ 6,436,050	$ 90,480,000	$ 13,612,000	$ 314,775,000	$ 63,416,375	$ 173,000,000	$ 18,632,500

Fiscal Year Ending June 30	Series 2002B $253,100,000 Principal	Series 2002B Interest	Series 2002A $281,200,000 Principal	Series 2002A Interest		Totals (1) Total Principal	Totals (1) Total Interest	Totals (1) Total Debt Service
2011………	$ 53,670,000	$ 7,710,706	$ 6,000,000	$ 482,063	………………………………………………………	$ 209,060,000	$ 111,777,150	$ 320,837,150
2012………	56,705,000	4,744,378	6,325,000	166,031	………………………………………………………	251,130,000	131,456,597	382,586,597
2013………	59,915,000	1,610,216	0	0 (6)	………………………………………………………	266,710,000	119,837,004	386,547,004
2014………	–	–	0	0 (5)	………………………………………………………	286,090,000	107,652,163	393,742,163
2015………	–	–	0	0 (5)	………………………………………………………	263,620,000	95,057,513	358,677,513
2016………	–	–	0	0 (5)	………………………………………………………	289,515,000	81,927,538	371,442,538
2017………	–	–	–	–	………………………………………………………	237,310,000	69,323,375	306,633,375
2018………	–	–	–	–	………………………………………………………	136,225,000	60,421,050	196,646,050
2019………	–	–	–	–	………………………………………………………	100,930,000	54,842,713	155,772,713
2020………	–	–	–	–	………………………………………………………	133,905,000	49,673,722	183,578,722
2021………	–	–	–	–	………………………………………………………	219,420,000	42,513,321	261,933,321
2022………	–	–	–	–	………………………………………………………	219,150,000	33,644,515	252,794,515
2023………	–	–	–	–	………………………………………………………	224,005,000	24,551,576	248,556,576
2024………	–	–	–	–	………………………………………………………	228,440,000	15,887,727	244,327,727
2025………	–	–	–	–	………………………………………………………	192,345,000	6,554,040	198,899,040
2026………	–	–	–	–	………………………………………………………	76,415,000	1,352,163	77,767,163
Totals……..	$170,290,000	$ 14,065,300	$ 12,325,000	$ 648,094	………………………………………………………	$3,334,270,000	$1,006,472,168	$ 4,340,742,168

(1) This table reflects the State's debt service schedule for its outstanding general obligation bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particu fiscal year. **Does not reflect a federal interest rate subsidy on Build America Bonds.**
(2) Issued as federally taxable "Build America Bonds." Does not reflect a 35% federal interest rate subsidy.
(3) Mandatory sinking fund principal payments from a $388,255,000 3.539% term bond due July 1, 2025.
(4) Mandatory sinking fund principal payments from a $417,615,000 4.554% term bond due July 1, 2024.
(5) Principal and interest has been refunded by the 2004A General Obligation Bonds.
(6) There was no scheduled principal maturity in this Fiscal Year.

(Source: Financial Advisor.)

Revenue Bonds And Notes

State of Utah Recapitalization Revenue Bonds. Pursuant to the State Financing Consolidation Act, Title 63B, Chapter 1b of the Utah Code (the "State Financing Consolidation Act"), the State Bonding Commission is authorized to issue "recapitalization" revenue bonds of the State to provide funds for certain of the State's revolving loan funds. The State issued recapitalization bonds in 1989 and 1992. Such State revenue bonds are secured principally by the payments on certain bonds, notes and other obligations owned by the State through such funds and by debt service reserve funds, and constitute "State Moral Obligation Bonds" as described below.

The State has issued the following recapitalization revenue bonds pursuant to the State Financing Consolidation Act:

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2010C (2)	Water resources	$31,225,000	July 1, 2022	$31,225,000
2010B	Water resources	16,125,000	July 1, 2017	16,125,000
2010A (3)	Water resources	18,450,000	July 1, 2014	18,450,000
Total principal amount of outstanding revenue debt (4)				$65,800,000

(1) Rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT.
(2) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(3) Issued as federally taxable bonds.
(4) For accounting purposes, the total unamortized bond premium is $1,750,241 (as of September 30, 2010), together with current debt outstanding of $65,800,000, results in total outstanding net direct debt of $67,550,241.

(Source: Division of Finance.)

Total annual principal and interest payments on the State's recapitalization revenue bonds are approximately $6.95 million and are due on July 1 of each year, beginning in Fiscal Year 2012 and extending through Fiscal Year 2023.

Other State Agencies Revenue Debt. Various State agencies have outstanding bonds and notes payable solely from certain specified revenues. None of these bond or note issues are general obligations of the State and, therefore, such bonds or notes are not applied against the general obligation borrowing capacity of the State.

The majority of the State's revenue bonds and notes are issued by the Utah Housing Corporation (which is a component unit of the State), the State Board of Regents (student loans and various capital projects), and the State Building Ownership Authority.

Additional information. For a detailed report and description of the various revenue bonds and notes see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements, Note 10. Long–Term Liabilities" and for the State Building Ownership Authority see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH–State Building Ownership Authority."

Lease Obligations

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, long–term leases are considered noncancellable for financial reporting purposes.

Capital Leases. Leases that in substance are purchases are reported as capital lease obligations in the government–wide financial statements and proprietary fund statements in the State's Comprehensive Annual Financial Report ("CAFR").

The present value of the minimum lease payments of the State's capital leases for primary government for Fiscal Years 2009 and 2008 totaled approximately $19.2 million (with annual payments scheduled through Fiscal Year 2029) and approximately $18.8 million (with annual payments scheduled through Fiscal Year 2028), respectively. The present value of the minimum lease payments of the State's capital leases for the State's component units for Fiscal Years 2009 and 2008 totaled approximately $63.8 million (with annual payments scheduled through Fiscal Year 2029) and approximately $70.1 million (with annual payments scheduled through Fiscal Year 2028), respectively.

Operating Leases. Operating leases contain various renewal obligations as well as some purchase options. However, due to the nature of the leases, the related assets are not classified as capital leases. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

Operating lease expenditures for Fiscal Years 2009 and 2008 were approximately $33.9 million and $30.4 million, respectively, for the primary government, and approximately $27.9 million and $33.5 million, respectively, for component units. The total future minimum lease payments for the State's operating leases for primary government for Fiscal Years 2009 and 2008 totaled approximately $85.6 million (with annual payments scheduled through Fiscal Year 2060) and approximately $88.6 million (with annual payments scheduled through Fiscal Year 2059), respectively. The total future minimum lease payments for the State's operating leases for component units for Fiscal Years 2009 and 2008 totaled approximately $258.2 million (with annual payments scheduled through Fiscal Year 2039) and approximately $179.4 million (with annual payments scheduled through Fiscal Year 2033), respectively.

For a detailed report and description of operating and capital leases see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements, Note 9. Lease Commitments."

State Guaranty Of General Obligation School Bonds

Under the Utah School Bond Guaranty Act (the "Guaranty Act") which took effect on January 1, 1997, the full faith and credit, and unlimited taxing power of the State is pledged to guaranty full and timely payment of the principal of and interest on general obligation bonds ("Guarantied Bonds") issued by eligible boards of education of State school districts ("Eligible School Boards"). The Guaranty Act is intended to reduce borrowing costs for Eligible School Boards by providing credit enhancement for Guarantied Bonds.

In the event an Eligible School Board is unable to make the scheduled debt service payments on its Guarantied Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any of its available moneys, seek a short–term loan from the Permanent School Fund or issue its short–term general obligation notes. The Eligible School Board remains liable to the State for any such payments on Guarantied Bonds. The State may seek reimbursement for such payments (plus interest and penalties) by intercepting State financial aid intended for the Eligible School Board. The Guaranty Act also contains provisions to compel the Eligible School Board to levy a tax sufficient to reimburse the State for such payments.

The State Superintendent of Schools (the "State Superintendent") is responsible for monitoring the financial condition of each local school board in the State and reporting, at least annually, his or her conclusions to the Governor, the Legislature and the State Treasurer. The State Superintendent must report immediately to the Governor and the State Treasurer any circumstances suggesting that a local school board will be unable to pay when due its debt service obligations (a "Report") and recommend a course of remedial action. As of the date of this OFFICIAL STATEMENT, the State has not been requested to make payments on any Guarantied Bonds and has not received a Report from the State Superintendent.

During Fiscal Year 2010, the State will have at least $2.6 billion principal amount outstanding of Guarantied Bonds. Currently, the Guarantied Bond program's annual principal and interest payments are scheduled through Fiscal Year 2030. The State cannot predict the amount of bonds that may be guarantied in this year or in future years; no limitation is currently imposed by the Guaranty Act.

State Moral Obligation Bonds

Bonds issued by the State Board of Regents, the Utah Communications Agency Network and "recapitalization" revenue bonds authorized by the State Bonding Commission may be secured by a pledge pursuant to which a designated official will certify to the Governor on or before December 1 of each year the amount, if any, necessary to restore a capital reserve or debt service reserve fund to its required amount. In the case of revenue bonds issued to finance a capital project for an institution of higher education, if so pledged, the chairman of the State Board of Regents will certify to the Governor on or before December 1 of each year any projected shortfall in the revenues necessary to make debt service payments in the forthcoming calendar year. Upon receipt of such a certification, the Governor may, but is not required to, then request from the Legislature an appropriation of the amount so certified. The Legislature is under no legal obligation to make any appropriation requested by the Governor. Bonds issued with such pledge are referred to herein as "State Moral Obligation Bonds."

The following State Moral Obligation Bonds are outstanding:

State Board of Regents. The State Board of Regents has approximately $1.38 billion of student loan revenue bonds and approximately $8.5 million of other revenue bonds (for office space) outstanding, all of which are State Moral Obligation Bonds. In addition, the State Board of Regents has outstanding approximately $560.3 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately $485 million of which are State Moral Obligation Bonds.

Utah Communications Agency Network. The Utah Communications Agency Network ("UCAN") is a State agency created to regulate the use of the 800 mega–hertz emergency frequency in the State. UCAN has approximately $4 million of refunding revenue bonds outstanding, all of which are State Moral Obligation Bonds. Final maturity payment is scheduled for September 15, 2013. See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements, Note 15. Joint Venture."

State of Utah Recapitalization Revenue Bonds. The State Bonding Commission has issued revenue bonds in the outstanding principal amount of $65.8 million as described above under "Revenue Bonds And Notes."

The State has issued the following recapitalization revenue bonds pursuant to the State Financing Consolidation Act:

As of the date of this OFFICIAL STATEMENT, the Governor has not received any certification with respect to the State Moral Obligation Bonds.

State Building Ownership Authority

The State Building Ownership Authority (the "Authority") is empowered, among other things, to issue its bonds (with the prior approval of the Legislature) to finance the acquisition and construction of facilities to be leased to State agencies and their affiliated entities from rentals paid out of budget appropriations or other available funds for the lessee agencies, which in the aggregate will be sufficient to pay the principal of and interest on the Authority's bonds and to maintain, operate and insure the facilities. The Authority is comprised of three members: the Governor or designee, the State Treasurer and the Chair of the State Building Board. The State Building Ownership Authority Act (Title 63B, Chapter 1, Part 3, Utah Code) directs DFCM to construct and maintain any facilities acquired or constructed for the Authority.

No Defaulted Authority Bonds Or Failures By State To Renew Lease. As of the date of this OFFICIAL STATEMENT, the Authority has never failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto. As of the date of this OFFICIAL STATEMENT, the State has never failed to renew an annually renewable lease with the Authority.

Additional Information. For financial information regarding outstanding lease revenue bonds, statutory debt limits, lease revenue bonds debt service payments due in each Fiscal Year, payable by the Authority, see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH–State Building Ownership Authority."

No Defaulted Bonds

The State has never failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto.

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FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

Generally

The following table summarizes the State's revenues and expenditures for Fiscal Years 2009, 2008 and 2007:

Revenues and Expenditures for Fiscal Years 2009, 2008 and 2007

Analysis of Operations—General Fund and Major Special Revenue Funds (1)

	(In Thousands)					
	Fiscal Year 2009		Fiscal Year 2008		Fiscal Year 2007	
	Amounts	% Change From Prior Year	Amounts	% Change From Prior Year	Amounts	% Change From Prior Year
Revenues (1):						
Federal revenues	$3,192,814	24%	$2,570,047	4%	$2,469,442	(1)%
Individual and corporate income taxes (2)	2,589,577	(13)	2,970,980	(1)	3,001,181	11
Sales and use tax (2)	1,757,483	(13)	2,031,239	(4)	2,109,732	10
Motor/special fuel taxes	337,529	(6)	357,664	(2)	366,446	6
Other taxes	322,767	(1)	325,513	4	313,149	0
Other	1,111,653	6	1,049,465	6	990,665	11
Total	$9,311,823	0%	$9,304,908	1%	$9,250,615	7%
Expenditures	$9,832,356	6%	$9,259,205	12%	$8,265,238	8%

(1) Includes revenues and expenditures for the General Fund and the Major Special Revenue Funds (Education Fund, Uniform School Fund, Transportation Fund, and Transportation Investment Fund).

(2) In the 2007 and 2006 General Sessions of the Legislature, the Legislature decreased the sales and use tax rate on unprepared foods; decreased the general sales and use tax rate and reformed the individual income tax system. See "Recent Developments" and "State Tax System" below.

(Source: Division of Finance and the 2009 CAFR.)

Recent Developments

Major Funds. Most government services of the State are paid through one of its major governmental funds. In Fiscal Year 2010, the State's major governmental funds were the General Fund, Education Fund, Transportation Fund, and Transportation Investment Fund.

Spending and Debt Limitations. The State has statutory appropriation and debt limits. The appropriations limit adjusts annually pursuant to a statutory formula based on population and inflation. The definition of appropriations includes only appropriations from unrestricted General Fund and Education Fund sources (spending for public education in addition to spending for transportation is exempt from the limitation). For Fiscal Year 2010, the State was approximately $663.7 million below the statutory appropriation limit, and for Fiscal Year 2011 it is more than $812.5 million below the limit. The statutory debt limit is 45% of the maximum allowable appropriation limit. See "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority" above.

Budget Management. The General Fund ended Fiscal Year 2010 with a preliminary $14.9 million surplus. The Education Fund ended the year with a balanced budget by using $42.7 million, of the $178.4 million designated and budgeted to be used for Fiscal Year 2011 to cover revenue shortfall that occurred in Fiscal Year 2010.

Budget Reserve Accounts. The State maintains a General Fund Budget Reserve Account in the General Fund (the "Rainy Day Fund") and an Education Budget Reserve Account in the Education Fund (the "Education Reserve"). State law requires 25% of any General Fund revenue surplus be deposited in the Rainy Day Fund and 25% of any Education Fund revenue surplus be deposited in the Education Reserve, in each case up to the statutory limit. Unless such reserve funds are drawn upon for their respective purposes, annual mandatory surplus transfers will be limited to the lesser of 25% of the applicable surplus or the amount necessary to reach the applicable statutory limit.

Budgets adopted during the 2010 General Session used $209 million of the Budget Reserve Accounts. Currently the balance in the Rainy Day Fund is approximately $105 million and the Education Reserve balance is approximately $104.7 million.

2010 General Session. At the onset of the 2010 General Session, the State was facing a $177 million budget shortfall for Fiscal Year 2010. This gap was addressed through $57 million in budget reductions, $86 million in Rainy Day funds, and $34 million of other one–time sources including restricted and unallocated funds. The February 2010 revenue forecast anticipates approximately $140 million in new ongoing revenue in Fiscal Year 2011. This revenue, budget cuts and funding shifts of $75 million, new tobacco revenue (see "Tobacco Tax Revisions" below), and one–time sources that included $123 million in Rainy Day funds and $103 million in the monies set aside for Public Education enrollment were used to address the $482 million budget shortfall in Fiscal Year 2011

American Recovery and Reinvestment Act of 2009. The State has received approximately $1.6 billion in federal economic stimulus funding authorized by ARRA. Major components of ARRA funding impacting the State's budget include: (a) approximately $250 million additional Medicaid (Federal Medicaid Assistance Percentage increase); (b) $479.9 million of fiscal stabilization (consisting of $392.6 million for education and $87.3 million general purpose); and (c) approximately $150 million for highways and bridges. The remaining amount was allocated to a wide variety of State and local programs through formulary funding and competitive grants. The receipt of these federal stimulus funds, other than the $87.3 million for general purposes, were contingent on the ability of the State or local subdivisions to use the funds for specific programs, and were not available for State discretionary purposes. The discretionary funds were used for a number of State economic stimulus programs including the Home Run program, which provided credits to home buyers purchasing newly constructed unoccupied homes.

Retirement Reform. In order to help limit financial risk to the State and ensure the ability to meet retirement obligations for current employees, several changes were made to the retirement system during the 2010 General Session. The New Public Employees' Tier II Contributory Retirement Act, allows any employee entering regular full–time employment before July 1, 2011, to participate in the existing retirement systems and plans under Tier I. Employees beginning regular full–time employment after June 30, 2011, may participate only in Tier II systems or plans. The Tier II plan allows employees to elect between a defined contribution plan or a defined benefit plan. Under both scenarios, the State will contribute 10% of the employee's salary toward his or her retirement. The Tier II plan also increases the amount of time an employee must serve to be eligible for retirement. See "Employee Workforce and Retirement System; Postemployment Benefits" below.

Tobacco Tax Revisions. In the 2010 General Session the Tobacco Tax Revisions Act increased the tax rate for the sale, use, storage, and distribution of cigarettes and other tobacco products. Effective July 1, 2010, the tax on a pack of cigarettes increased from $0.69 to $1.70. Revenues are expected to increase by an estimated $44 million annually as a result of the changes.

Public Education. The Fiscal Year 2011 Public Education budget includes ongoing funding to replace one–time State and federal funds of $293 million that supported the Fiscal Year 2010 budget. The weighted pupil unit value (used in school funding) was maintained at $2,577 per student, to fund an estimated student enrollment of 574,317 (including an expected 11,044 new students).

Capital Expenditures. In the 2010 General Session, the Legislature appropriated $113 million one–time General Fund for new buildings for higher education and the National Guard. An additional $220 million in non–state funds was authorized for new buildings for higher education, Public Safety, and the Division of Services for the Blind and Visually Impaired. The Legislature also authorized $46 million in new general obligation bonds for the Utah Science Technology and Research (USTAR) buildings.

Education Jobs and Medicaid Assistance Act. The State anticipates that it will receive approximately $100 million in funding for education and $60 million in enhanced Federal Medicaid Assistances Percentages ("FMAP") funding through the Education Jobs and Medicaid Assistance Act that was signed by President Obama on August 11. Approximately $40 million of the enhanced FMAP funding may be spent at the State's discretion, the remaining funding goes directly to local governments.

Management's Discussion And Analysis Of Financial Statements

The State prepared a narrative discussion, overview, and analysis of the financial activities of the State for Fiscal Year 2009. For the complete discussion see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009–Management's Discussion and Analysis" (after the Independent State Auditor's Report).

Five–Year Financial Summaries

The following summaries were extracted from the State's audited financial statements for Fiscal Years 2005 through 2009. The summaries have not been audited. The financial information presented in the summaries is presented on a fund statement basis and not on a government–wide statement basis.

Five–year historical summaries have been prepared for the Combined Balance Sheet—All Governmental Fund Types Only; Statement of Revenues, Expenditures and Changes in Fund Balance—General Fund; and Statement of Revenues, Expenditures and Changes in Fund Balance—Major Special Revenue Funds.

The five–year summary of Statement of Revenues, Expenditures and Changes in Fund Balance—Major Special Revenue Funds has been included to show the State's sources of revenue for and expenditures on public education and transportation.

For additional five–year financial summary information see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH–Additional Historical Financial Information Of The State."

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State of Utah

Combined Balance Sheet—All Governmental Fund Types Only (1)

(This summary is unaudited)

	As of June 30 (in thousands)				
	2009	2008	2007	2006	2005
Assets:					
Cash and cash equivalents	$ 1,052,272	$ 1,540,923	$ 1,811,006	$ 1,259,084	$ 932,620
Receivables:					
Accrued taxes, net	753,290	833,731	1,191,060	929,421	693,516
Accounts, net	734,385	571,498	533,245	473,961	464,291
Notes / mortgages, net	11,073	10,078	12,920	30,471	13,265
Accrued interest	55	80	77	135	123
Investments	1,070,235	950,549	746,104	769,088	521,982
Due from other funds	61,138	50,038	90,336	30,214	23,700
Interfund loans receivable	34,933	39,005	33,905	28,111	32,533
Due from component units	28,829	35,802	42,177	26,784	26,179
Inventories	13,324	11,899	12,776	11,557	11,473
Other assets	21	–	–	–	–
Total assets	$ 3,759,555	$ 4,043,603	$ 4,473,606	$ 3,558,826	$ 2,719,682
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 812,554	$ 768,618	$ 721,060	$ 598,382	$ 589,716
Deferred revenue	451,121	433,196	614,529	502,036	319,938
Due to other funds	83,512	71,019	99,670	35,704	28,151
Due to component units	3,427	19	448	440	1,503
Total liabilities	1,350,614	1,272,852	1,435,707	1,136,562	939,308
Fund balances:					
Reserved	1,282,127	1,323,820	986,326	836,056	716,255
Unreserved designated	880,157	1,134,438	1,628,919	1,199,334	681,751
Unreserved undesignated	246,657	312,493	422,654	386,874	382,368
Total fund balances	2,408,941	2,770,751	3,037,899	2,422,264	1,780,374
Total liabilities and fund balances	$ 3,759,555	$ 4,043,603	$ 4,473,606	$ 3,558,826	$ 2,719,682

(1) Includes all governmental fund types (except the Trust Lands permanent fund).

(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

State of Utah

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Type—General Fund

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2009	2008	2007	2006	2005
Revenues:					
Taxes:					
Sales and use tax (1)……………………………	$ 1,487,652	$ 1,710,564	$ 1,860,703	$ 1,820,992	$ 1,664,352
Other taxes……………………………………	280,934	283,852	274,563	271,178	234,710
Total taxes…………………………………	1,768,586	1,994,416	2,135,266	2,092,170	1,899,062
Other revenues:					
Federal contracts and grants……………………	2,272,215	1,892,116	1,818,571	1,859,583	1,776,555
Charges for services……………………………	293,753	299,819	267,479	256,025	238,181
Federal mineral lease……………………………	172,642	134,404	145,985	156,851	82,704
Investment income………………………………	29,993	75,647	94,448	47,027	16,483
Licenses, permits and fees………………………	23,018	20,633	20,479	18,725	17,866
Miscellaneous and other………………………	202,666	158,883	166,471	164,890	148,015
Total revenues………………………………	4,762,873	4,575,918	4,648,699	4,595,271	4,178,866
Expenditures:					
Current:					
Health and environmental quality………………	1,806,126	1,643,269	1,615,690	1,629,909	1,456,282
Higher education–colleges and universities…..	746,846	773,107	693,082	665,855	626,026
Human services and youth corrections……….	696,787	674,389	623,689	590,727	575,046
Employment and family services………………	519,282	432,032	405,902	412,855	415,892
General government……………………………	283,138	286,274	242,845	200,631	161,728
Corrections, adult………………………………	252,886	247,376	225,548	203,419	193,442
Public safety……………………………………	209,961	191,483	170,306	177,201	161,350
Natural resources………………………………	173,138	171,738	166,533	136,059	120,398
Courts……………………………………………	127,442	128,148	118,326	111,541	106,128
Community and culture…………………………	135,062	127,225	105,051	82,627	86,335
Business, labor, and agriculture………………	92,430	87,601	81,643	79,138	74,919
Higher education–state administration……….	60,224	64,587	49,064	43,505	39,121
Total expenditures…………………………	5,103,322	4,827,229	4,497,679	4,333,467	4,016,667
Excess revenues over (under) expenditures…………	(340,449)	(251,311)	151,020	261,804	162,199
Other financing sources (uses):					
Transfers in………………………………………	587,138	908,222	649,271	323,689	294,313
Transfers out……………………………………	(491,877)	(873,826)	(589,855)	(370,336)	(288,486)
Capital leases acquisition…………………………	2,010	2,131	–	–	–
Sale of capital assets………………………………	11,001	80	–	–	–
Total other financing sources (uses)……….	108,272	36,607	59,416	(46,647)	5,827
Net change in fund balances…………………………	(232,177)	(214,704)	210,436	215,157	168,026
Beginning fund balance………………………………	864,868	1,079,572	869,136	653,979	485,953
Ending fund balances…………………………………	$ 632,691	$ 864,868	$ 1,079,572	$ 869,136	$ 653,979

(1) The large decrease in Fiscal Year 2008 was from $90 million of general sales and use tax collections being transferred from the General Fund into the Critical Highway Needs Fund, an account within the Transportation Fund (a Major Special Revenue Fund) as directed by the 2007 Legislature.

(Source: Division of Finance. This summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

State of Utah

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Type—Major Special Revenue Funds (1)

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2009	2008	2007	2006	2005
Revenues:					
Taxes:					
Individual income tax…………………………	$ 2,340,400	$ 2,560,394	$ 2,589,252	$ 2,324,365	$ 1,946,593
Corporate tax………………………………	249,177	410,586	411,929	379,624	209,304
Motor and special fuels tax…………………	337,529	357,664	366,446	344,902	336,417
Sales and use tax (2)………………………	269,831	320,675	249,029	94,608	35,284
Other taxes………………………………	41,833	41,661	38,586	40,796	36,554
Total taxes………………………………	3,238,770	3,690,980	3,655,242	3,184,295	2,564,152
Other revenues:					
Federal contracts and grants…………………	920,599	677,931	650,871	641,447	586,248
Licenses, permits and fees…………………	105,194	101,249	99,870	94,959	90,040
Charges for services………………………	71,489	70,715	56,592	50,857	26,975
Federal aeronautics………………………	34,141	68,193	44,074	37,521	34,416
Investment income………………………	43,451	49,281	41,156	31,222	22,235
Miscellaneous and other……………………	135,306	70,641	54,111	38,169	17,318
Total other revenues………………………	1,310,180	1,038,010	946,674	894,175	777,232
Total revenues……………………………	4,548,950	4,728,990	4,601,916	4,078,470	3,341,384
Expenditures:					
Current:					
Public education……………………………	3,034,678	2,960,523	2,547,075	2,322,801	2,168,798
Transportation………………………….....	1,694,356	1,471,453	1,220,484	975,432	831,737
Total expenditures…………………………	4,729,034	4,431,976	3,767,559	3,298,233	3,000,535
Excess revenues over (under) expenditures………	(180,084)	297,014	834,357	780,237	340,849
Other financing sources (uses):					
Transfers in……………………………………	2,549,946	3,072,875	2,612,415	286,496	185,731
General obligation bonds issued………………	394,360	68,995	–	–	47,050
Sale of capital assets…………………………	6,157	8,058	6,747	–	–
Premium on bonds issued……………………	33,557	1,088	–	–	2,950
Transfers out…………………………………	(2,919,863)	(3,625,959)	(3,074,734)	(567,290)	(535,939)
Total other financing sources (uses)………	64,157	(474,943)	(455,572)	(280,794)	(300,208)
Net changes in fund balances……………………	(115,927)	(177,929)	378,785	499,443	40,641
Beginning fund balance…………………………	1,497,292	1,675,221	1,296,436	796,993	757,418
Adjustments to beginning fund balance (3)……	–	–	–	–	(1,066)
Beginning fund balance as adjusted………………	1,497,292	1,675,221	1,296,436	796,993	756,352
Ending fund balances……………………………	$ 1,381,365	$ 1,497,292	$ 1,675,221	$ 1,296,436	$ 796,993

(1) The major special revenue funds include the Education Fund, Uniform School Fund, Transportation Fund, and Transportation Investment Fund.

(2) The large increase in Fiscal Year 2007 was from 8.3% of general sales and use tax collections (approximately $150 million) being transferred from the General Fund into the Transportation Investment Fund (a Major Special Revenue Fund) as directed by the 2006 Legislature. Additionally in Fiscal Year 2008, there was $90 million of general sales and use tax collections being transferred from the General Fund into the Critical Highway Needs Fund, an account within the Transportation Fund (a Major Special Revenue Fund) as directed by the 2007 Legislature.

(3) Due primarily to changes in accounting standards.

(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

Property Tax Matters

For a description of the security for the Bonds and the procedure by which taxes are abated to the extent that moneys are available from other sources sufficient to pay principal of and interest on the Bonds, see the caption "THE BONDS—Security For The Bonds" above.

Ad Valorem Levy. Though authorized to do so under Part 9 of the Property Tax Act (defined below), the State does not presently levy ad valorem property taxes. However, if the State does not have sufficient moneys available to pay principal and interest on its general obligation bonds from sources other than ad valorem taxes, the State Tax Commission would be required to levy ad valorem property taxes on all taxable property in the State to cover the deficit.

Property Tax Act. The State Constitution and Title 59, Chapter 2, Utah Code (the "Property Tax Act") provide that all taxable property is assessed and taxed at a uniform and equal rate on the basis of 100% of its "fair market value" as of January 1 of each year, unless otherwise provided by law. Section 3(2)(a)(iv) of Article XIII of the State Constitution provides that the Legislature may exempt from property tax up to 45% of the "fair market value" of residential property. The Legislature has enacted legislation that reduces the "fair market value" of primary residential property by 45%. No more than one acre of land per residential unit may qualify for the residential exemption.

The Property Tax Act provides that the State Tax Commission assesses certain types of property ("Centrally–Assessed Property"). All other taxable property ("Locally–Assessed Property") is assessed by the county assessor of the county in which such Locally–Assessed Property is located. The Property Tax Act also establishes certain deadlines, procedures and requirements for, among other things, the assessing of Centrally–Assessed Property and the challenging by property owners of such assessments. Once the required information is provided to the various county treasurers, they mail all property owners a tax notice that specifies the aggregate amount of taxes to be paid for State, county, city, town, school and other purposes.

The following tables reflect the effect of the current 45% reduction from Fair Market Value for assessment of ad valorem property tax. The tables also show the Centrally–Assessed Property compared with the Locally–Assessed Property.

Taxable Value Compared with Fair Market Value of All Taxable Property in the State

Tax Year	Taxable Value (1)	% Change Over Prior Year	Fair Market Value (2)	% Change Over Prior Year
2010 (3)	$197,298,123,847	(1.6)%	$272,845,247,355	(2.4)%
2009	200,432,557,803	(5.4)	279,470,018,301	(6.5)
2008	211,905,170,511	12.1	298,740,951,422	10.9
2007	189,087,689,610	22.3	269,489,922,952	23.1
2006	154,663,248,988	16.8	218,864,053,927	17.1
2005	132,372,801,410	7.4	186,836,223,701	8.0

(1) Includes all state–wide redevelopment agencies valuations.
(2) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act. See "Property Tax Matters" above.
(3) Preliminary; subject to change. Source: Financial Advisor compiled from information provided by the State Tax Commission.

(Source: Property Tax Division, State Tax Commission.)

Historical Summaries Of Taxable Values Of Property

	Calendar Year											
	2009		2008		2007		2006		2005		2004	
Set by State Tax Commission	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total
(Centrally Assessed)												
Natural resources…………….	$ 7,979,377,781	4.0 %	$ 8,601,102,256	4.1 %	$ 6,858,057,725	3.6 %	$ 6,219,779,718	4.0 %	$ 4,898,371,950	3.7 %	$ 4,211,778,705	3.4 %
Utilities………………………	10,141,150,495	5.1	10,427,402,597	4.9	9,943,565,300	5.3	9,552,461,539	6.2	9,293,092,255	7.0	9,509,472,931	7.7
Total centrally assessed…..	18,120,528,276	9.0	19,028,504,853	9.0	16,801,623,025	8.9	15,772,241,257	10.2	14,191,464,205	10.7	13,721,251,636	11.1
Set by County Assessor												
(Locally Assessed)												
Real property:												
Primary residential……………	96,392,005,655	48.1	105,930,854,172	50.0	98,069,970,843	51.9	78,264,051,562	50.6	66,358,371,700	50.1	60,635,462,669	49.2
Commercial…………………..	42,092,546,088	21.0	43,621,013,421	20.6	38,267,427,307	20.2	32,588,392,214	21.1	28,604,861,843	21.6	25,204,539,225	20.5
Other real……………………	30,741,370,840	15.3	31,011,606,439	14.6	25,974,054,552	13.7	19,383,478,151	12.5	14,895,471,950	11.3	15,622,104,219	12.7
Total real property……….	169,225,922,583	84.4	180,563,474,032	85.2	162,311,452,702	85.8	130,235,921,927	84.2	109,858,705,493	83.0	101,462,106,113	82.3
Personal property:												
Total personal property………	13,086,106,944	6.5	12,313,191,626	5.8	9,974,613,883	5.3	8,655,085,804	5.6	8,322,631,712	6.3	8,027,014,353	6.5
Total locally assessed…….	182,312,029,527	91.0	192,876,665,658	91.0	172,286,066,585	91.1	138,891,007,731	89.8	118,181,337,205	89.3	109,489,120,466	88.9
Total taxable value………	$200,432,557,803	100.0 %	$211,905,170,511	100.0 %	$189,087,689,610	100.0 %	$154,663,248,988	100.0 %	$132,372,801,410	100.0 %	$123,210,372,102	100.0 %

(Source: Property Tax Division, State Tax Commission.)

Minimum Basic Tax Levy for School Districts. The State Tax Commission determines for each school district in the State the amount to be raised by the minimum basic tax levied by the school district as its contribution toward the cost of the Basic State–Supported School Program (the "Basic Program"), as required by the Minimum School Program Act. If the levy raises an amount in excess of the total Basic Program for a school district, the excess amount is remitted by the school district to the State Board of Education to be credited to the Uniform School Fund to support the Basic Program. If the levy raises an amount less than the total Basic Program for a school district, then the difference is computed. This difference is apportioned from the Uniform School Fund to such school district as the contribution of the State to the Basic Program.

The State mandates that each school district levy a minimum basic tax rate per dollar of taxable value, which changes annually, in order to qualify for receipt of the State contribution toward the Basic Program.

Uniform Fees. An annual statewide uniform fee is levied on certain tangible personal property in lieu of the ad valorem tax. Subject to certain exemptions, the current uniform fee on motor vehicles that weigh 12,001 pounds or more, watercraft, recreational vehicles and all other tangible personal property required to be registered with the State is equal to 1.5% of the market value. Motor vehicles weighing 12,000 pounds or less are subject to an "age based" fee that is due each time the vehicle is registered. Such fees range from $5 to $150. Various other fees are levied against other types of tangible personal property. The revenues collected from the various uniform fees are distributed by the county of each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed.

Property Tax Valuation Agency Fund. The State created the Property Tax Valuation Agency Fund (the "PTVAF"), to be funded by a multicounty assessing and collecting levy to promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system, including the costs of assessment, collection and distribution of property taxes. Money is disbursed from the PTVAF to each county based on statutory qualification and requirements.

The Legislature is required to authorize a multicounty assessing and collecting levy to fund the PTVAF that may not exceed (unless it provides public notice thereof) the certified revenue levy.

Budgetary Procedures

Budgetary Procedures Act. The Budgetary Procedures Act, Title 63J, Chapter 1, Utah Code (the "Budget Act") establishes the process through which the State budget is prepared by the Governor and prescribes all information to be included in the Governor's budget. The total appropriations requested for expenditures authorized by the budget must not exceed the estimated revenues from taxes, fees and all other sources for the next ensuing fiscal year.

The Budget Act applies to all moneys appropriated by the Legislature. No appropriation or any surplus of any appropriation may be diverted from the department, agency, institution or division for which they were appropriated. Appropriated moneys may not be transferred from one item of appropriation to any other item of appropriation without legislative approval.

Unexpended Balances. Except for certain funds detailed in the Budget Act or funds that may be exempted by the annual appropriations act, the Director of the Division of Finance must, at the end of each fiscal year, close out to the proper fund or account for all remaining unexpended and unencumbered balances of appropriations made by the Legislature.

Budgetary Controls. The Director of the Division of Finance is required to exercise accounting control over all State departments, institutions and agencies other than the Legislature and legislative committees. The Director of the Division of Finance must require the head of each department to submit a work program (budget) for the ensuing fiscal year. The aggregate of such work programs must not exceed the total appropriations or other funds from any source whatsoever made available to each department for the fiscal year in question.

State Funds And Accounting

The Division of Finance maintains its accounting records in accordance with State law and in accordance with generally accepted accounting principles ("GAAP").

Funds are accounted for and reported in the following categories: governmental funds; proprietary funds; and fiduciary funds. Governmental funds include the General Fund, Special Revenue funds, Capital Projects funds, Debt Service funds, and Permanent funds. Proprietary funds include Enterprise and Internal Service funds. Fiduciary funds include Pension Trust funds, Investment Trust funds, Private Purpose Trust funds, and Agency funds.

Fund reporting in the financial statements for governmental funds focuses on major funds as defined by GAAP. The State reports the following major governmental funds: the General Fund, the Education Fund, the Uniform School Fund, the Transportation Fund and the Transportation Investment Fund.

The State's nonmajor governmental funds include other special revenue funds, capital projects funds, and debt service funds. The nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Examples include tobacco settlement moneys, environmental activities, crime victim reparations and rural development programs.

For further information on State funds and accounting, including a description of each of the major governmental funds, see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements—Note 1. Summary of Significant Accounting Policies."

State Tax System

The State's tax revenues are derived primarily from sales and use taxes, individual income taxes, motor fuel taxes, business (income) taxes and also from numerous smaller sources including excise taxes on insurance premiums, beer, cigarettes and tobacco, severance taxes, investment income and numerous court and business regulation fees. These fees and taxes are regulated by the Legislature.

The State also receives revenues from unemployment compensation taxes.

The State also has authority to levy and collect ad valorem property taxes, but has not done so since 1974. See "Property Tax Matters" above.

In addition to the State's tax system, counties, cities and towns have authority to levy and collect sales and use taxes and property taxes. School districts, some special service areas, and some local districts have the authority to levy property taxes.

Individual Income Taxes. The State is one of 43 states that impose an individual income tax. The State's current single rate income tax system was fully implemented in the 2008 tax year. Under the system, all taxpayers' income is subject to a single 5% of federal adjusted gross income. To retain the progressivity, a tax credit based on federal deductions and federal personal exemptions is available, but phases out depending upon the income and filing status of the individual taxpayers.

Contingent Tax Credits. In the 2008 General Session, the Legislature increased the maximum amount of contingent tax credit certificates that can be issued by the Utah Capital Investment Board from

$100 million to $300 million. The certificates are to be structured such that no more than $20 million of contingent tax credits for each $100 million increment of contingent tax liability may be redeemable in any Fiscal Year. Under certain circumstances, the holder of a certificate is entitled to a refundable tax credit against tax liabilities imposed by Title 59, Chapter 7, Corporate Franchise and Income Taxes, or Title 59, Chapter 10, Individual Income Tax Act.

Business Taxes. The State imposes a tax on corporate net taxable income apportioned to the State at a rate of 5%. Currently, the minimum tax is $100. Over the past several General Sessions the Legislature reduced business taxes in a number of ways, including expanding a corporate research and development tax credit, expanding the renewable energy tax credit, repealing an additional gross receipts tax, equalizing satellite and cable television taxes, and creating sales tax exemptions for telecommunication equipment, manufacturing parts and supplies, oil and mining equipment, and dental prostheses.

Sales and Use Tax. In general, State sales taxes are imposed based on retail sales or use of tangible personal property, admissions, meals, utility services, general services on tangible personal property, hotel and motel accommodations, and certain other items. Use tax also applies to goods shipped to the State for use, storage, or other consumption; goods purchased outside of the State for use, storage, or other consumption in the State; and services subject to tax but performed outside the State for use, storage, or other consumption in the State. The State sales tax on unprepared food items is 1.75% and the general sales tax rate is 4.70%.

The State requires its largest sales taxpayers (with annual liabilities of more than $50,000) to pay on a monthly basis. Monthly sales taxpayers and those paying via electronic funds transfer receive a 1.5% discount on State taxes. Because approximately 75% of the sales and use tax is now remitted monthly, the State's cash flow has less volatility.

Additional Taxes and Fees. The State collects a number of additional significant taxes and fees, including, but not limited to: an unemployment compensation tax, which is used to finance benefits paid to unemployed workers; a worker's compensation insurance premium tax, which is used to pay workers' compensation benefits; and various highway users' taxes, which are used for highway and road related purposes. Other taxes and fees collected by the State include severance taxes, a cigarette and tobacco tax, a wine and liquor tax, an inheritance tax, an environmental surcharge, a waste tire fee, and fish and game license fees. Other State revenue sources include license fees and other fees collected by colleges, universities and State departments.

For additional information regarding recent tax collection results and forecasts for 2010 tax collections, see "APPENDIX C—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH–Tax Collections."

State Revenues

The State receives revenues from three principal sources: taxes, including sales and use, individual income, business, motor and special fuel, and other miscellaneous taxes; federal grants–in–aid; and miscellaneous charges and receipts, including licenses, permits and fees, the State's share of mineral royalties, bonuses on federal land, and other miscellaneous revenues. Revenues received in the governmental fund types (excluding the Trust Lands permanent fund) are as follows:

	Fiscal Year Ended June 30 (in thousands)									
	2009	% (1)	2008	% (1)	2007	% (1)	2006	% (1)	2005	% (1)
Taxes	$5,043,043	53%	$5,693,425	60%	$5,797,563	62%	$5,281,485	60%	$4,467,665	59%
Federal contracts and grants	3,207,110	34	2,574,585	27	2,480,016	26	2,524,022	29	2,366,786	31
All other misc. revenues	1,181,846	13	1,227,345	13	1,084,752	12	972,222	11	792,830	10
Total all funds	$9,431,999	100%	$9,495,355	100%	$9,362,331	100%	$8,777,729	100%	$7,627,281	100%

(1) Percentage of total Governmental Fund Revenue.

(Source: Division of Finance.)

Revenue Summary. For Fiscal Year 2009, General Fund revenues from all sources totaled approximately $4.8 billion. Of this amount, 48% came from federal contracts and grants; 31% came from sales taxes; 9% came from federal mineral lease, investment income and miscellaneous and other revenues; 6% came from charges for services and licenses, permits and fees; and 6% came from other tax sources.

In the Education Fund for Fiscal Year 2009, revenues from all sources totaled approximately $2.6 billion. Of this amount, 90% came from individual income taxes and 10% came from business taxes.

In the Uniform School Fund for Fiscal Year 2009, revenues from all sources totaled approximately $686.3 million. Of this amount, 87% came from federal contracts and grants; 8% came from other miscellaneous revenue sources; and 5% came from investment income, charges for services and licenses, permits and fees.

In the Transportation Fund for Fiscal Year 2009, revenues from all sources totaled approximately $1.09 billion. Of this amount, 31% came from motor and special fuel taxes; 30% came from federal contracts and grants; 26% came from other miscellaneous unrestricted taxes and fees; and 13% came from charges for services and licenses, permits, and fees.

In the Transportation Investment Fund for Fiscal Year 2009, revenues from all sources totaled $175.8 million. Of this amount, 86% came from sales tax revenue; 13% came from motor vehicle registration fees; and 1% came from federal contracts and grants.

Additional Information. For information regarding historical financial summaries of the State's All Governmental Fund Types (Revenues by Source; Expenditures by Function; Changes in all Governmental Fund types; and Fund Balances) and General Fund (Revenues, Expenditures and Fund Balances), see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH–Additional Historical Financial Information Of The State."

Capital Expenditure Authorizations

The following table presents historical data on capital expenditures in the year authorized from all sources, including bond proceeds and other available funds. Included in these figures are capital outlay expenses and authorizations for the construction of new buildings and the improvement of existing buildings. These figures also include expenditures for the construction of buildings for higher education, water development or storage projects, flood control projects, the construction or improvement of roads and related transportation projects, State and some local recreation projects and local projects in energy–impacted areas funded with community impact moneys. These figures exclude debt service.

Capital Expenditure Authorizations (in millions)

Fiscal Year Ended June 30				
2010	2009	2008	2007	2006
$3,388.1 (1)	$1,538.2	$3,033.4 (2)	$1,286.9	$703.1

(1) Estimate. The large increase in Fiscal Year 2010 was from a new bond authorization of $2.2 billion for highway projects and $148 million for building projects.
(2) The large increase in Fiscal Year 2008 was from a new bond authorization of $1.3 billion for highway projects and by approximately $428 million for buildings projects.

(Source: Governor's Office of Planning and Budget.)

Investment Of Funds

Investment of Operating Funds; The State Money Management Act. The State Money Management Act, Title 51, Chapter 7, Utah Code (the "MM Act") governs the investment of all public funds held by public treasurers in the State.

The State is currently complying with all of the provisions of the MM Act for all State operating funds.

The Utah Public Treasurers' Investment Fund. A significant portion of State funds are invested in the Utah Public Treasurers Investment Fund ("PTIF"). The PTIF is a local government investment fund established in 1981, and managed by the State Treasurer. The PTIF invests to ensure safety of principal, liquidity and a competitive rate of return. All moneys transferred to the PTIF are promptly invested in securities authorized by the MM Act. Safekeeping and audit controls for all investments owned by the PTIF must comply with the MM Act.

See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009–Notes To The Financial Statements–Note 3. Deposits and Investments" and "–Note 4. Investment Pool."

Investment of Bond Proceeds. Proceeds of the Bonds will be held by the State and invested so as to be readily available. Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the MM Act.

Employee Workforce and Retirement System; Postemployment Benefits

Employee Workforce and Retirement System. The State is the largest employer in the State employing over 21,600 people (full–time equivalents) in Fiscal Year 2010. All full–time employees of the State are members of the Utah State Retirement System. For a discussion concerning the Utah State Retirement System see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements—Note 16. Pension Plans."

Postemployment Benefits. At the option of individual state agencies, employees may participate in the State's Other Postemployment Benefit Plan ("OPEB Plan"), a single–employer defined benefit healthcare plan. The State administers the OPEB Plan through the State Post–Retirement Benefits Trust Fund, an irrevocable trust fund, created in April 2007. Plan assets of the State Post–Retirement Benefits Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment health and life insurance coverage to current and eligible future state retirees in accordance with the terms of the plan. Only state employees entitled to receive retirement benefits and hired prior to January 1, 2006, are eligible to receive postemployment health and life insurance benefits from the OPEB Plan.

The Legislature currently plans to continue contributing amounts to the OPEB Plan sufficient to fully fund the annual required contribution ("ARC"), a rate actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The ARC of $43.8 million (from the December 31, 2008 actuarial valuation and used to establish the annual budget for Fiscal Year 2010) is 4.9% of annual covered payroll. The actuarial accrued liability for benefits was approximately $446.6 million, with an actuarial value of plan assets of approximately $53.9 million, resulting in an unfunded actuarial accrued liability of approximately $392.8 million (the State's actuarial accrued liability is calculated biannually). The State contributed $53.5 million and $43.8 million to the OPEB Plan in Fiscal Years 2009 and 2010, respectively.

For additional discussion of the State's postemployment benefits see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements—Note 17. Other Postemployment Benefits."

Risk Management And Insurance

The State is a member of a risk pool where the State self–insures portions of certain property and liability claims and purchases commercial insurance for claims above the self insured retention amounts. This is done through the Administrative Services Risk Management Fund. The fund is maintained via premiums charged to its members—State agencies, institutions of higher education, Utah school districts and charter schools.

The property self–insurance limits are currently $1 million per claim with an annual aggregate of $3.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with private insurance companies. This coverage has limits of $700 million at any single building. The State has aggregate coverage of $500 million for earthquake and $500 million for flood losses.

As of June 30, 2009, the Administrative Services Risk Management Fund contained $43.65 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through Fiscal Year 2010. See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements—Note 14. Litigation, Contingencies and Commitments" and "—Note 18. Risk Management And Insurance."

LEGAL MATTERS

Absence Of Litigation Concerning The Bonds

There is no litigation pending or threatened against the Bonds questioning or in any matter relating to or affecting the validity of the Bonds.

On the date of the execution and delivery of the Bonds, certificates will be delivered by the State to the effect that to the knowledge of the State, there is no action, suit, proceeding or litigation pending or threatened against the State, which in any way materially questions or affects the validity or enforceability of the Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the State.

A non–litigation opinion issued by the State's Attorney General, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the State, or the titles of its respective officers to their respective offices, or the ability of the State, or its respective officers to authenticate, execute or deliver the Bonds or such other documents as may be required in connection with the issuance and sale of the Bonds, or to comply therewith or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the Bonds are issued, the legality of the purposes for which the Bonds are issued, or the validity of the Bonds or the issuance and sale thereof.

Miscellaneous Legal Matters

The State, its officers, agencies, and departments, are parties to numerous routine legal proceedings, many of which normally occur in governmental operations.

See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009—Notes to the Financial Statements—Note 14. Litigation, Contingencies, and Commitments."

Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On Bonds

Based on discussions with representatives of the State's executive and legislative departments, the Attorney General is of the opinion that the miscellaneous legal proceedings against the State, individually or in the aggregate, are not likely to have a material adverse impact on the State's ability to make its payments of the principal of and interest on the Bonds as those payments come due.

Federal Income Tax Matters

The 2010A Bonds

State Covenants. Federal tax law contains a number of requirements and restrictions which apply to the 2010A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The State has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2010A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2010A Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2010A Bonds.

2010A Opinion. Subject to the State's compliance with the above–referenced covenants, under present law, in the opinion of Bond Counsel, interest on the 2010A Bonds (a) is excludable from the gross income of the owners thereof for federal income tax purposes, (b) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (c) is not taken into account in computing "adjusted current earnings" as described below.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax–exempt interest, but not interest on the 2010A Bonds.

General. In rendering its opinion, Bond Counsel will rely upon certifications of the State with respect to certain material facts within the State's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the 2010A Bonds. Ownership of the 2010A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continue) indebtedness to purchase or carry tax–exempt obligations. Prospective purchasers of the 2010A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the 2010A Bonds is the price at which a substantial amount of such maturity of is first sold to the public. The Issue Price of a maturity of the 2010A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of 2010A Bonds who dispose of such Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2010A Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2010A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2010A Bond is purchased at any time for a price that is less than the 2010A Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a 2010A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2010A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2010A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2010A Bonds.

An investor may purchase a 2010A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of such Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax–exempt bond. The amortized bond premium is treated as a reduction in the tax–exempt interest received. As bond premium is amortized, it reduces the investor's basis in such Bond. Investors who purchase a 2010A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on such Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2010A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2010A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax–exempt obligations to determine whether, in the view of the Service, interest on such tax–exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2010A Bonds. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of such Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax–exempt obligations, including the 2010A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2010A Bond owner who fails to provide an accurate Form W–9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2010A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The 2010A Bonds are treated as issued in 2009 or 2010 for purposes of Section 265(b)(7) of the Code relating to interest expense deductibility for financial institutions. The treatment of interest expense for financial institutions owning the 2010A Bonds may be more favorable than the treatment provided to owners of tax–exempt bonds issued before January 1, 2009, but may be less favorable than treatment provided to owners of bank qualified bonds. Financial institutions should consult their tax advisors concerning such treatment.

The 2010B Bonds

2010B Opinion. **Interest on the 2010B Bonds is includible in gross income for federal income tax purposes.** Ownership of the 2010B Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their tax advisors with respect to the inclusion of interest on the 2010B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

Qualified Build America Bonds. As part of ARRA, Congress added provisions to the Code, that permit state or local governments to obtain certain tax advantages when issuing certain taxable obligations, referred to as "Build America Bonds." A Build America Bond must satisfy certain requirements, including that the interest on the Build America Bonds would be, but for the issuer's election to treat such bonds as Build America Bonds, excludable from gross income under Section 103 of the Code. The State intends to make or has made an irrevocable election to treat the 2010B Bonds as Build America Bonds. The State also intends to make or has made an irrevocable election to treat the 2010B Bonds as Build America Bonds that are "qualified bonds" as defined in the Code. As a result of these elections, interest on the 2010B Bonds will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the 2010B Bonds will not be entitled to any tax credits as a result either of ownership of the 2010B Bonds or of receipt of any interest payments on the 2010B Bonds. Bondholders should consult their tax advisors with respect to the inclusion of interest on the 2010B Bonds in gross income for federal income tax purposes.

No assurances are provided that the State will receive any payments from the federal government with respect to the 2010B Bonds. The State has not covenanted to maintain compliance with rules applicable to Build America Bonds.

General. The following is a summary of certain material federal income tax consequences of holding and disposing of the 2010B Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary does not discuss all aspects of federal income taxation that may be relevant to investors. This summary is intended as a general explanatory discussion of the consequences of holding the 2010B Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, except as explicitly provided below, it generally is addressed only to original purchasers of the

2010B Bonds that are "U.S. Holders" (as defined below), deals only with 2010B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax–exempt investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold 2010B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of 2010B Bonds. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to such investor's particular situation.

As used herein, a "U.S. Holder" is a "U.S. person" that is a beneficial owner of a 2010B Bond. A "Non–U.S. Holder" is a holder (or beneficial owner) of a 2010B Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Certain U.S. Federal Income Tax Consequences to U.S. Holders. The following is a description of certain U.S. federal income tax consequences to U.S. Holders.

Tax Status of the 2010B Bonds. The 2010B Bonds will be treated, for federal income tax purposes, as debt instruments. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

If the excess of the stated redemption price at maturity of a 2010B Bond over its "issue price" exceeds a specified de minimis amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity), the excess is treated as original issue discount ("OID"). The issue price of the 2010B Bonds is the first price at which a substantial amount of the 2010B Bonds is sold to the public. The issue price of the 2010B Bonds is expected to be the amount set forth on the cover page of this Offering Circular but is subject to change based on actual sales.

With respect to a U.S. Holder that purchases in the initial offering a 2010B Bond issued with OID, the amount of OID that accrues during any accrual period equals (i) the "adjusted issue price" of the 2010B Bond at the beginning of the accrual period (which price equals the issue price of such 2010B Bond plus the amount of OID that has accrued on a constant–yield basis in all prior accrual periods minus the amount of any payments, other than "qualified stated interest," received on the 2010B Bond in prior accrual periods) multiplied by (ii) the yield to maturity of such 2010B Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period) less, and (iii) any qualified stated interest payable on the 2010B Bond during such accrual period. The amount of OID so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period.

A U.S. Holder of a 2010B Bond issued with OID must include in gross income for federal income tax purposes the amount of OID accrued with respect to each day during the taxable year that the U.S. Holder owns the 2010B Bond. Such an inclusion in advance of receipt of the cash attributable to the income is required even if the U.S. Holder is on the cash method of accounting for United States federal income tax purposes. The amount of OID that is includible in a U.S. Holder's gross income will increase the U.S. Holder's tax basis in the 2010B Bond. The adjusted tax basis in a 2010B Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale or retirement) of the 2010B Bond.

Holders of the 2010B Bonds that allocate a basis in the 2010B Bonds that is greater than the principal amount of the 2010B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a holder purchases the 2010B Bonds after the initial offering for an amount that is less than the principal amount of the 2010B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a 2010B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount 2010B Bond that does not exceed the accrued market discount for any taxable year, will be deferred.

For federal income tax purposes, a portion of the amount realized on sale attributed to the 2010B Bonds may be treated as accrued interest and thus be taxed as ordinary income to the seller (and not be subject to tax in the hands of the buyer).

Sale and Exchange of 2010B Bonds. Upon a sale or exchange of a 2010B Bond, a holder generally will recognize gain or loss on the 2010B Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2010B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2010B Bond not yet taken into income will be ordinary) if the holder holds the 2010B Bond as a capital asset. The adjusted basis of the holder in a 2010B Bond will (in general) equal its original purchase price and decreased by any payments received on the 2010B Bond. In general, if the 2010B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Backup Withholding. The State or the Paying Agent, if any (the "payor") must report annually to the Service and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under Section 3406 of the Code and applicable Treasury Regulations, a non–corporate U.S. Holder of the 2010B Bonds may be subject to backup withholding at the current rate of 28% (scheduled to increase to 31% to 2010) with respect to "reportable payments," which include interest paid on the 2010B Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the 2010B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payor in the manner required, (ii) the Service notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts paid as back–up withholding do not constitute an additional tax and will be credited against the U.S. Holder's federal income tax liabilities (and possibly result in a refund), so long as the required information is timely provided to the Service.

Certain U.S. Federal Income and Estate Tax Consequences to Non–U.S. Holders. The following is a description of certain U.S. federal income and estate tax consequences to Non–U.S. Holders.

If, under the Code, interest on the 2010B Bonds is "effectively connected with the conduct of a trade or business within the United States" by a Non–U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the 2010B Bonds were held by a U.S. Holder, as described above, and in the case of Non–U.S. Holders that are corporations may be subject to U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non–U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed IRS Form W–8ECI to the payor.

Interest on the 2010B Bonds held by other Non–U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non–U.S. Holders unless the "portfolio interest" exemption applies. In general, interest paid on the 2010B Bonds to a Non–U.S. Holder will qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (i) such Non–U.S. Holder is not a "controlled foreign corporation" (within the meaning of section 957 of the Code) related, directly or indirectly, to the State or a bank and the payor receives a certification of such facts from the Non–U.S. Holder; and (ii) the payor receives from the Non–U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W–8BEN (or successor form), certifying that such owner is not a U.S. Holder and providing such owner's name and address. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

If a Non–U.S. Holder does not claim, or does not qualify for, the benefit of the portfolio interest exemption, the Non–U.S. Holder may be subject to a 30% withholding tax on interest payments on the 2010B Bonds. However, the Non–U.S. Holder may be able to claim the benefit of a reduced withholding tax rate under an applicable income tax treaty between the Non–U.S. Holder's country of residence and the U.S. Non–U.S. Holders are urged to consult their own tax advisors regarding their eligibility for treaty benefits. The required information for claiming treaty benefits is generally submitted on IRS Form W–8BEN. In addition, a Non–U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number.

A Non–U.S. Holder will generally not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption or other disposition of a 2010B Bond. (Such gain does not include proceeds attributable to accrued but unpaid interest on the 2010B Bonds, which will be treated as interest). A Non–U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (i) the Non–U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition, or (ii) the gain is effectively connected with the conduct of a U.S. trade of business, as provided by applicable U.S. tax rules (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise.

The payor must report annually to the Service and to each Non–U.S. Holder any interest that is subject to U.S. withholding taxes or that is exempt from U.S. withholding taxes pursuant to an income tax treaty or certain provisions of the Code. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non–U.S. Holder resides.

Payments to Non–U.S. Holders will be net of any applicable withholding tax. The State is not providing any indemnification or gross–up in regard to such taxes.

A Non–U.S. Holder generally will not be subject to backup withholding with respect to payments of interest on the 2010B Bonds as long as the Non–U.S. Holder (i) has furnished to the payor a valid IRS Form W–8BEN certifying, under penalties of perjury, its status as a non–U.S. person, (ii) has furnished to the payor other documentation upon which it may rely to treat the payments as made to a non–U.S. person in accordance with Treasury regulations, or (iii) otherwise establishes an exemption. A Non–U.S. Holder may be subject to information reporting and/or backup withholding on a sale of the 2010B Bonds through the United States office of a broker and may be subject to information reporting (but generally not backup withholding) on a sale of the 2010B Bonds through a foreign office of a broker that has certain connections to the United States, unless the Non–U.S. Holder provides the certification described above or otherwise establishes an exemption. Non–U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

Amounts withheld under the backup withholding rules may be refunded or credited against the Non–U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the Service.

Circular 230. This OFFICIAL STATEMENT contains tax advice written to market the 2010B Bonds. This subsection is informing Bondholders of the following as required under Treas. Reg. §10.35 which is contained in the rules of practice before the Service, commonly known as Circular 230.

The tax advice contained in this OFFICIAL STATEMENT is not intended or written by the State, its Bond Counsel, or any other tax practitioner to be used, and it cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax advice contained in this OFFICIAL STATEMENT was written to support the promotion or marketing of the 2010B Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The State and its Bond Counsel impose no restrictions or limitations on disclosing the content of this OFFICIAL STATEMENT or of any details of the structure of the 2010B Bonds or on the tax treatment or tax structure of the 2010B Bonds and the use of proceeds thereof.

State Of Utah Income Taxation

In the opinion of Bond Counsel, under the existing laws of the State, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. Bond Counsel expresses no opinion with respect to any other taxes imposed by the State or any political subdivision thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Code impose fiduciary and prohibited transaction restrictions on the activities of employee benefit plans (as defined in Section 3(3) of ERISA and certain other retirement plans and arrangements discussed in Section 4975(e)(1) of the Code and of various other retirement plans and arrangements, including bank collective investment funds and insurance company general and separate accounts in which such plans are invested (together referred to as "Plans"). Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions ("prohibited transactions") involving the assets of Plans and certain persons (referred to as "Parties–In–Interest" in ERISA and as "Disqualified Persons" in Section 4975 of the Code) having fiduciary or certain other relationships to such Plans, unless a statutory or administrative exemption is available. A Party–In–Interest or Disqualified Person who engages in a non–exempt prohibited transaction may be subject to nondeductible excise taxes and other penalties and liabilities under ERISA and/or the Code.

Any of the Underwriters as a result of its own activities (including activities unrelated to the underwriting of the 2010B Bonds) or because of the activities of an affiliate, may be considered a Party–In–Interest or a Disqualified Person with respect to certain Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if 2010B Bonds are acquired by a Plan with respect to which an Underwriter or its affiliate is a Party–In–Interest or Disqualified Person. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire 2010B Bonds and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption ("PTE") 90 1, regarding investments by insurance company pooled separate accounts; PTE 91 38, regarding investments by bank collective investment funds; PTE 84 14, regarding transactions effected by a "qualified professional asset manager"; PTE 96 23, regarding investments by certain in–house asset managers; and PTE 95 60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be constructed as prohibited transactions. With the objective of preventing prohibited transactions under Section 406 of ERISA and Section 4975 of the Code in connection with the acquisition and holding of a 2010B Bond by or on behalf of a Plan, each prospective purchaser of a 2010B Bond that is a Plan or is acquiring on behalf of a Plan will be deemed to represent and warrant that either (i) no prohibited transactions under Section 406 of ERISA or Section 4975 of the Code will occur in connection with the acquisition, holding a disposition of such 2010B Bond or (ii) the acquisition of such 2010B Bond is subject to a statutory or administrative exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code so that the purchase and holding of the 2010B Bonds will not result in a non–exempt prohibited transaction.

Any Plan fiduciary who proposes to cause a Plan to purchase the 2010B Bonds should (i) consult with its counsel with respect to the potential applicability of the prohibited transaction rules under ERISA and the Code to such investments and whether any exemption would be applicable and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the 2010B Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

General

The approving opinion of Chapman and Cutler LLP, Bond Counsel to the State, concerning the validity of the Bonds, in substantially the form set out in APPENDIX D to this OFFICIAL STATEMENT, will be provided at the time of delivery of the Bonds. Copies of the opinion of Bond Counsel will be available upon request from the chief contact person for the State indicated under the heading "INTRODUCTION—Contact Persons" above.

Bond Counsel has reviewed those portions of the OFFICIAL STATEMENT captioned: "THE BONDS" (except the portions under the captions "—Estimated Sources And Uses Of Funds," "—Security For The Bonds" (last paragraph), "—Book–Entry System," and "—Debt Service On The Bonds"), and "LEGAL MATTERS—Federal Income Tax Matters" and "—State of Utah Income Taxation." Bond Counsel also prepared and has reviewed APPENDIX D to the OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel's opinion on the Bonds. Bond Counsel has not assumed responsibility for the remaining material in the OFFICIAL STATEMENT and has not verified independently the information set out therein. In addition, Bond Counsel has not assumed responsibility for any agreement, representations, offering circulars, or other material of any kind not mentioned in this paragraph, relating to the offering of the Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State. Certain legal matter regarding this OFFICIAL STATEMENT will be passed on for the State by Chapman and Cutler LLP. Certain legal matters will be passed on for the Underwriters by Ballard Spahr LLP.

MISCELLANEOUS

Bond Ratings

Fitch, Moody's and S&P have rated the Bonds "AAA," "Aaa," and "AAA," respectively, as of the date of this OFFICIAL STATEMENT.

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. The above ratings are not recommendations to buy, sell or hold the Bonds. There is no assurance that such ratings will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

The State has entered into an agreement with the Financial Advisor whereunder the Financial Advisor provides financial recommendations and guidance to the State with respect to preparation for sale of the Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the Bonds. The Financial Advisor has read, participated in the drafting of and provided the information in certain provisions of this OFFICIAL STATEMENT. The Financial Advisor has not otherwise audited, authenticated or verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the State, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of the OFFICIAL STATEMENT or any other matters related to the OFFICIAL STATEMENT. Financial Advisor fees are contingent upon the sale and delivery of the Bonds.

Underwriters

Goldman, Sachs & Co. and J.P. Morgan Securities LLC, as representatives of the Underwriters have agreed, subject to certain conditions, to purchase:

(i) all of the 2010A Bonds from the State at an aggregate price of $467,073,412.81 (which consists of a principal amount of $412,990,000.00; plus original issue premium of $55,328,655.50; less an Underwriter's discount of $1,245,242.69); and

(ii) all of the 2010B Bonds from the State at an aggregate price of $619,574,465.99 (which consists of a principal amount of $621,980,000.00; less an Underwriter's discount of $2,405,534.01).

The Underwriters have advised the State that the Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of the OFFICIAL STATEMENT and that such public offering prices may be changed from time to time.

The Underwriters have reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

J.P. Morgan Securities LLC, an underwriter of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS& Co. will purchase Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker–dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Independent Auditor

The financial statements of the State as of June 30, 2009, and for the fiscal year then ended, are included as "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009" to this OFFICIAL STATEMENT and have been audited by the Utah State Auditor, as indicated in its report thereon. The State has neither requested nor has been obligated to obtain the consent of the State Auditor to include its report in this OFFICIAL STATEMENT and therefore the State Auditor has not performed any procedures with respect to such financial statements subsequent to the date of its report.

Additional Information

The foregoing description of the Bonds does not purport to be complete and is expressly made subject to the exact provisions of the complete documents, copies of which are available for inspection at the offices of the Financial Advisor during the offering of the Bonds, and subsequently, at the office of the Paying Agent in Salt Lake City, Utah.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The Appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the State.

State of Utah

/s/ Richard K. Ellis

Richard K. Ellis, State Treasurer
Secretary, State Bonding Commission

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APPENDIX A

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2009

The Basic Financial Statements and Required Supplementary Information of the State for Fiscal Year 2009 are contained herein. This information has been extracted from the State's Fiscal Year 2009 CAFR and such pages numbers may not be in numerical order. Copies of current and prior financial reports are available on the internet and upon request from the contact person as indicated under "INTRODUCTION—Contact Persons" above.

The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the 25th consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2009.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The State's CAFR for Fiscal Year 2010 must be completed under State law by December 31, 2010.

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Gary R. Herbert
Governor, State of Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Utah Housing Corporation, Utah Public Employees Health Program, the University of Utah's hospital and component units, the Utah State University Research Foundation, certain other college and university foundations, the Dairy Commission, and the Utah State Retirement Systems, which represent 38 percent of the assets and 41 percent of the revenues of the aggregate discretely presented component units and 67 percent of the assets and 37 percent of the revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and other required supplementary information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G. Johnson, CPA
Utah State Auditor
November 23, 2009

INTRODUCTION

The following is a discussion and analysis of the State of Utah's financial performance and position, providing an overview of the State's activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

HIGHLIGHTS

Government-wide

- Total assets of the State exceeded liabilities by $16.68 billion (reported as net assets). Of this amount, $1.769 billion (unrestricted net assets) may be used to meet the government's ongoing obligations while $14.910 billion is restricted for specific uses or invested in capital assets.

- The State's total net assets decreased $42.6 million or 0.3 percent over the prior year. Net assets of governmental activities increased $80.9 million or 0.6 percent. Net assets of business-type activities decreased by $123.6 million or 5 percent.

Fund Level

- The governmental funds reported combined ending fund balances of $3.325 billion, a decrease of $460.4 million in comparison with the prior year. Approximately 7.4 percent or $246.7 million of the ending fund balance is available for spending at the government's discretion (unreserved, undesignated fund balance).

- The General Fund ended the fiscal year with a zero dollar surplus by using $37.2 million designated and budgeted to be used for fiscal year 2010 to cover revenue shortfalls that occurred in fiscal year 2009. The Education Fund ended the year with a $21.5 million surplus.

- The General Fund Budget Reserve Account ("Rainy Day Fund") and the Education Budget Reserve Account ended the fiscal year with balances of $188.9 million and $230 million, respectively. Other than statutory changes that require any future interest earnings of these accounts to be transferred to either the General Fund or the Education Fund, as applicable, the balances remained preserved at fiscal yearend.

- Overall, sales tax revenues in the governmental funds declined by 13.3 percent. Combined tax revenues were 11.3 percent lower in the General Fund and 12.8 percent lower in the Education Fund than the prior year. Tax revenues in both funds declined as a result of continued weakness in the local economy.

Long-term Debt

- The State's long-term bonded debt increased a net $446.1 million or 12.5 percent. The increase in debt issued was used to fund highway and capital facility construction, and to fund student loan programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the State's Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Statements — Reporting the State as a Whole

The Statement of Net Assets and the Statement of Activities beginning on page 27 together comprise the *government-wide financial statements*. These statements provide a broad overview of the State's finances as a whole with a long-term focus and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets* – the difference between total assets and total liabilities – and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the State's overall financial condition is getting better or worse. In evaluating the State's overall condition, however, additional non-financial factors should be considered such as the State's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure. The government-wide statements report three activities:

Governmental Activities – Most of the State's basic services fall under this activity including education, transportation, public safety, courts, corrections, health, and human services. Taxes and federal grants are the major funding sources for these programs.

Business-type Activities – The State operates certain activities much like private-sector companies by charging fees to customers to cover all or most of the costs of providing the goods and services. Student loans, unemployment compensation, water project loan programs, and liquor sales are examples of business-type activities.

Component Units – A number of entities are legally separate from the State, yet the State remains financially accountable for them. Colleges and Universities, Utah Housing Corporation, and Utah State Fair Corporation are examples of component units.

Fund Financial Statements — Reporting the State's Most Significant Funds
The fund financial statements beginning on page 31 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that the State uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the State's funds are divided into three types, each of which uses a different accounting approach.

Governmental Funds – Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as *governmental activities* in the government-wide statements. Governmental funds use the *modified accrual* basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at yearend that are available for future spending. This *short-term* view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – Proprietary funds include enterprise funds and internal service funds and account for state activities that are operated much like private-sector companies. Like the government-wide statements, proprietary fund statements are presented using the *full-accrual* basis of accounting. Activities whose customers are mostly outside of state government (e.g., water project loans to local governments) are accounted for in *enterprise funds* and are the same functions reported as *business-type activities.* Thus, the *enterprise fund* financial statements reinforce the information reported for *business-type* activities in the government-wide statements, but provide more detail and additional information, such as cash flows. Activities whose customers are mostly other state agencies (e.g., motor pool) are accounted for in *internal service funds*. The internal service fund activities are consolidated with the governmental activities in the government-wide statements because those services predominantly benefit governmental rather than business-type activities.

Fiduciary Funds – Fiduciary funds account for assets that, because of trust relationships, can be used only for trust beneficiaries. The State is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds use *full-accrual* accounting, but are *not* included in the government-wide statements because their assets are not available to finance the State's own programs.

Reconciliation between Government-wide and Fund Statements
The financial statements include schedules on pages 34 and 38 that reconcile and explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus). The following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements
The notes beginning on page 58 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information (RSI)
Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and condition assessment data related to infrastructure. In addition, the RSI includes schedules on the funded status and employer contributions for the State's defined benefit Other Postemployment Benefit Plan. RSI further supports the information in the basic financial statements.

Supplementary Information
Supplementary Information includes combining statements for the State's nonmajor governmental, nonmajor proprietary and fiduciary funds and for nonmajor discretely presented component units. This section also includes schedules which compare budgeted expenditures to actual results at the legal level of control, which is generally the line item level of the *Appropriations Acts.*

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets
The State's total net assets decreased $42.6 million or 0.3 percent in fiscal year 2009. In comparison, net assets in the prior year increased $729.8 million or 4.6 percent. This decrease in total net assets resulted from a weak economy that had the combined effects of high unemployment, lower tax revenues, and higher demand for government services. The change in net assets is comprised of the following:

- *Invested in Capital Assets* – Total net capital assets increased $830.2 million or 7.9 percent as the State's investment in highways and buildings exceeded depreciation and net additional debt used to finance projects.
- *Restricted Net Assets* – Total restricted net assets decreased $434.9 million or 10.7 percent over the prior year. Of the $269.1 million decrease in restricted net assets of governmental activities, $98.6 million was a result of a decrease in nonexpendable public education net assets as a result of a decrease in net earnings in the permanent Trust Lands Fund. Restricted net assets also decreased due to a $72.1 million decrease in expendable public education net assets as a result of lower individual income and corporate tax revenues. Net assets restricted for transportation also decreased by $56.5 million as the number of infrastructure projects escalated despite less funding available due to lower tax revenues. Restricted net assets in business-type activities decreased $165.8 million primarily due to unemployment claims exceeding related premiums by $209 million. This decrease was offset by an increase of $43.1 million in additional loan capital in various loan programs provided by investment income and federal grants.
- *Unrestricted Net Assets* – Total unrestricted net assets in governmental activities decreased by $480.3 million or 41.1 percent due to a decrease in carry-forward balances in the General Fund and other governmental funds of $195.5 million and $215.9 million, respectively. Total unrestricted net assets in business-type activities increased by $42.3 million or 4.1 percent primarily due to the State providing additional capital to loan funds from mineral lease and dedicated sales tax revenues.

State of Utah
Net Assets as of June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Current and Other Assets	$ 4,693,031	$ 5,092,823	$ 5,030,178	$ 4,770,529	$ 9,723,209	$ 9,863,352
Capital Assets	12,514,562	11,627,282	72,007	61,021	12,586,569	11,688,303
Total Assets	**17,207,593**	**16,720,105**	**5,102,185**	**4,831,550**	**22,309,778**	**21,551,655**
Current and Other Liabilities	941,661	869,300	58,871	57,036	1,000,532	926,336
Long-term Liabilities	1,949,751	1,615,550	2,680,326	2,287,956	4,630,077	3,903,506
Total Liabilities	**2,891,412**	**2,484,850**	**2,739,197**	**2,344,992**	**5,630,609**	**4,829,842**
Net Assets:						
Invested in Capital Assets, Net of Related Debt	11,277,630	10,447,357	13,751	13,837	11,291,381	10,461,194
Restricted	2,349,499	2,618,556	1,269,006	1,434,828	3,618,505	4,053,384
Unrestricted	689,052	1,169,342	1,080,231	1,037,893	1,769,283	2,207,235
Total Net Assets	**$ 14,316,181**	**$ 14,235,255**	**$ 2,362,988**	**$ 2,486,558**	**$ 16,679,169**	**$ 16,721,813**
Percent change in total net assets from prior year	0.6 %		(5.0)%		(0.3)%	

The largest component of the State's net assets, 67.7 percent, reflects investments in capital assets (e.g., land, buildings, equipment, roads, and other infrastructure) less the outstanding debt issued to finance those assets. As capital assets, these resources are not available for future spending, nor can they be readily liquidated to pay off their related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 21.7 percent of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted by the *Constitution of Utah* include income and corporate taxes that can be used only for public and higher education costs and motor fuel taxes that can be used only for transportation expenses.

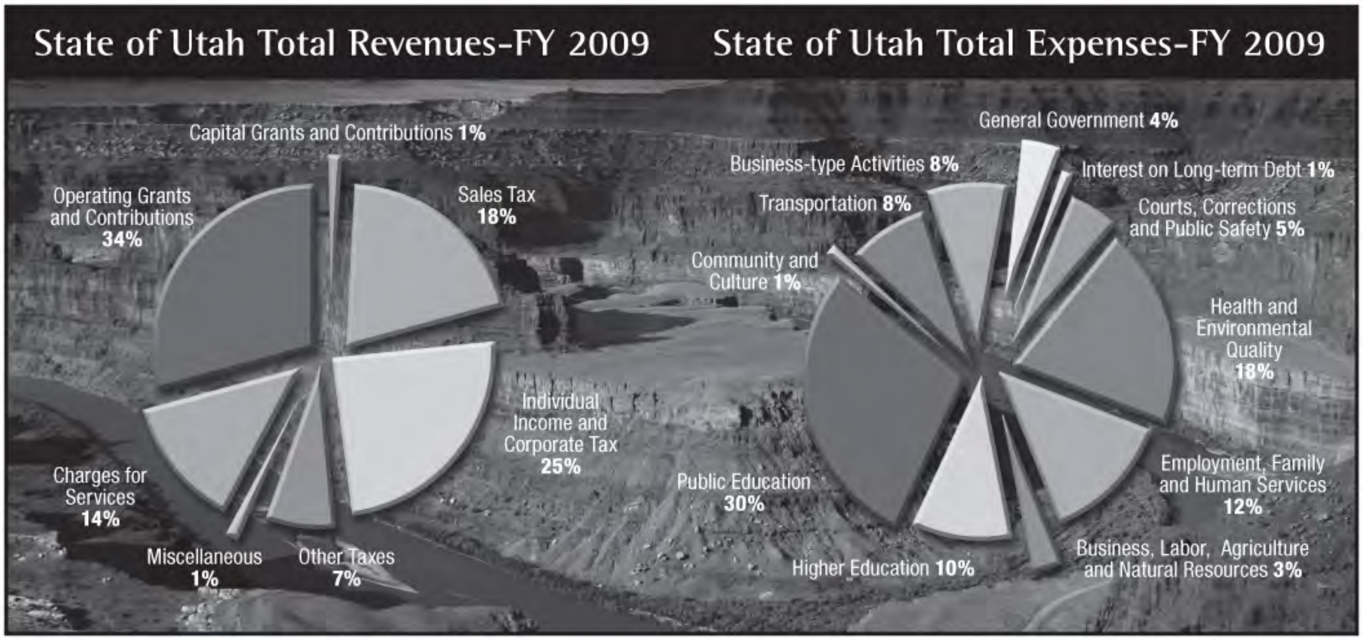
The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations, though certain laws and internally imposed designations of resources further limit the purposes for which many of those net assets may be used.

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2009.

State of Utah
Changes in Net Assets
for the Fiscal Year Ended June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2008 to 2009**
Revenues							
General Revenues:							
Taxes	$ 5,043,745	$ 5,535,750	$ 22,976	$ 23,462	$ 5,066,721	$ 5,559,212	(8.9)%
Other General Revenues	91,225	132,586	—	—	91,225	132,586	(31.2)%
Program Revenues:							
Charges for Services	887,113	933,371	532,171	557,470	1,419,284	1,490,841	(4.8)%
Operating Grants and Contributions	3,177,737	2,658,284	214,876	143,853	3,392,613	2,802,137	21.1 %
Capital Grants and Contributions	145,353	144,867	—	—	145,353	144,867	0.3 %
Total Revenues	**9,345,173**	**9,404,858**	**770,023**	**724,785**	**10,115,196**	**10,129,643**	(0.1)%
Expenses							
General Government	390,373	385,331	—	—	390,373	385,331	1.3 %
Human Services and Youth Corrections	700,307	679,920	—	—	700,307	679,920	3.0 %
Corrections, Adult	254,980	255,319	—	—	254,980	255,319	(0.1)%
Public Safety	189,069	191,910	—	—	189,069	191,910	(1.5)%
Courts	123,209	125,587	—	—	123,209	125,587	(1.9)%
Health and Environmental Quality	1,812,067	1,649,209	—	—	1,812,067	1,649,209	9.9 %
Higher Education	997,218	912,998	—	—	997,218	912,998	9.2 %
Employment and Family Services	514,915	423,122	—	—	514,915	423,122	21.7 %
Natural Resources	174,730	159,955	—	—	174,730	159,955	9.2 %
Community and Culture	139,840	132,687	—	—	139,840	132,687	5.4 %
Business, Labor, and Agriculture	101,995	95,563	—	—	101,995	95,563	6.7 %
Public Education	3,033,574	2,959,311	—	—	3,033,574	2,959,311	2.5 %
Transportation	819,833	850,387	—	—	819,833	850,387	(3.6)%
Interest on Long-term Debt	52,070	58,851	—	—	52,070	58,851	(11.5)%
Student Assistance Programs	—	—	144,007	164,411	144,007	164,411	(12.4)%
Unemployment Compensation	—	—	489,925	148,424	489,925	148,424	230.1 %
Water Loan Programs	—	—	12,900	10,477	12,900	10,477	23.1 %
Community and Economic Loan Programs	—	—	2,349	2,310	2,349	2,310	1.7 %
Liquor Retail Sales	—	—	168,844	160,635	168,844	160,635	5.1 %
Other Business-type Activities	—	—	35,635	33,417	35,635	33,417	6.6 %
Total Expenses	**9,304,180**	**8,880,150**	**853,660**	**519,674**	**10,157,840**	**9,399,824**	8.1 %
Excess Before Transfers	40,993	524,708	(83,637)	205,111	(42,644)	729,819	
Transfers	38,953	37,733	(38,953)	(37,733)	—	—	
Change in Net Assets	**79,946**	**562,441**	**(122,590)**	**167,378**	**(42,644)**	**729,819**	
Net Assets – Beginning as Adjusted	14,236,235	13,672,814	2,485,578	2,319,180	16,721,813	15,991,994	
Net Assets – Ending	**$ 14,316,181**	**$ 14,235,255**	**$ 2,362,988**	**$ 2,486,558**	**$ 16,679,169**	**$ 16,721,813**	(0.3)%

(*Charts on next page*.)



Changes in Net Assets
This year the State received 50.1 percent of its revenues from state taxes and 35 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 54.9 percent and grants and contributions were 29.1 percent of total revenues. Charges for goods and services such as licenses, permits, liquor sales, park fees, and court fees, combined with other miscellaneous collections, comprised 14.9 percent of total revenues in fiscal year 2009, compared to 16 percent in fiscal year 2008.

Governmental Activities
The State's total governmental revenues from all sources decreased $59.7 million or 0.6 percent. Tax revenues decreased $492 million or 8.9 percent. This decrease in taxes reflects weak economic conditions and is similar to the decrease at the fund level. However, due to differences in measurement focus and timing of collections, the decrease at the government-wide level should not be used to predict future decreases at the fund statement or budget level. With the exception of higher education, natural resources, and transportation, as discussed below, other significant changes in governmental activities' revenues and expenses mirror the changes in the governmental funds. For further discussion, see the section entitled "Financial Analysis of the State's Governmental Funds" on page 19.

- *Higher Education* – Expenses increased by $84.2 million compared to the prior year due to an increase in the amount spent for building projects completed for colleges and universities. When these buildings are completed, ownership is transferred to the colleges and universities and reported as expenses on the government-wide statements. However there is no impact on the governmental fund statements.
- *Natural Resources* – Expenses for natural resource activities increased $14.8 million, as compared to the prior year, as less capital outlay was expended. Since less was expended for capital outlay in the fiscal year, expenses increased on the government-wide statements.
- *Transportation* – Expenses for transportation activities decreased $30.6 million, as compared to the prior year, primarily due to an increase in the amount spent for capital outlay (i.e., land, state roads, and bridges). The amount expended for capital outlay is not reported as expenses, but as an asset on the government-wide statements.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2009, state taxes and other general revenues covered 54.7 percent of expenses. The remaining $4.21 billion or 45.3 percent of the total expenses were covered by charges for services and grants.

(*Table on next page*.)

State of Utah
Net Cost of Governmental Activities
for the Fiscal Year Ended June 30
(Expressed in Thousands)

	Program Expenses	Less Program Revenues	Net Program (Expenses) / Revenues		Program Revenues as a Percentage of Program Expenses	
	2009	**2009**	**2009**	**2008**	**2009**	**2008**
General Government	$ 390,373	$ 358,733	(31,640)	$ 43,785	91.9 %	111.4 %
Human Services and Youth Corrections	700,307	345,468	(354,839)	(374,396)	49.3 %	44.9 %
Corrections, Adult	254,980	5,939	(249,041)	(248,520)	2.3 %	2.7 %
Public Safety	189,069	125,634	(63,435)	(75,574)	66.4 %	60.6 %
Courts	123,209	50,558	(72,651)	(78,452)	41.0 %	37.5 %
Health and Environmental Quality	1,812,067	1,472,475	(339,592)	(392,963)	81.3 %	76.2 %
Higher Education	997,218	34,139	(963,079)	(911,645)	3.4 %	0.1 %
Employment and Family Services	514,915	454,323	(60,592)	(64,727)	88.2 %	84.7 %
Natural Resources	174,730	110,362	(64,368)	(54,650)	63.2 %	65.8 %
Community and Culture	139,840	57,910	(81,930)	(89,219)	41.4 %	32.8 %
Business, Labor, and Agriculture	101,995	76,985	(25,010)	(17,213)	75.5 %	82.0 %
Public Education	3,033,574	502,798	(2,530,776)	(2,538,693)	16.6 %	14.2 %
Transportation	819,833	614,879	(204,954)	(282,510)	75.0 %	66.8 %
Interest and Charges on Long-term Debt	52,070	—	(52,070)	(58,851)		
Total Governmental Activities	**$ 9,304,180**	**$ 4,210,203**	**$ (5,093,977)**	**$ (5,143,628)**	45.3 %	42.1 %

Business-type Activities

Revenues from the State's business-type activities increased $45.2 million or 6.2 percent from the prior year. The increase is primarily due to a $71 million increase in federal grant revenue in the Unemployment Compensation Fund provided to extend benefits for the unemployed as part of the *American Recovery and Reinvestment Act* (ARRA), a one-time federal economic stimulus package provided to states to aid in recovering from the recession. This increase was partially offset by a $25.3 million decrease in charges for services caused in part by a $13.2 million decrease in unemployment taxes paid into the Unemployment Compensation Fund as a result of higher unemployment and a decrease in other miscellaneous revenues. Total expenses for the State's business-type activities increased $334 million or 64.3 percent. The increase is primarily due to a $341.5 million increase in payments for unemployment benefits due to higher unemployment in the weak economy.

All of the State's business-type activities operate from program revenues, except for the Water Loan Programs and the Agriculture Loan Fund that by law receive dedicated sales tax revenues and the Community Impact Loan Fund that receives federal mineral lease revenues to provide additional capital for loans. Accounting standards require unemployment taxes that are collected from employers and deposited in the Unemployment Compensation Fund to be reported as charges for services rather than taxes. Therefore, taxes in the business-type activities are comprised entirely of sales taxes in the water and agriculture loan programs.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2009, the State's governmental funds reported combined ending fund balances of $3.325 billion. Of this amount, $2.198 billion or 66.1 percent is reserved for specific programs by state law, external constraints, or contractual obligations. Unspent bond proceeds, balances of restricted accounts, and agencies' nonlapsing balances are included in reserved fund balance. An additional $880.2 million or 26.5 percent of total fund balances has been designated through internally imposed limitations on uses of certain funds. Note 11 on page 100 provides more details about reserved and designated fund balances at June 30, 2009. The remaining $246.7 million or 7.4 percent of fund balance is available for appropriation for the general purposes of the funds.

(*Table on next page*.)

State of Utah
Governmental Fund Balances as of June 30, 2009
(Expressed in Thousands)

	General Fund	Education Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund	Trust Lands Fund	Nonmajor Funds	Total
Reserved	$ 305,224	$ —	$ 194,266	$ 447,158	$ —	$ 915,831	$ 335,479	$ 2,197,958
Unreserved Designated	327,467	496,176	2,902	48,402	—	—	5,210	880,157
Unreserved Undesignated	—	21,501	—	179,612	(8,652)	—	54,196	246,657
Total	**$ 632,691**	**$ 517,677**	**$ 197,168**	**$ 675,172**	**$ (8,652)**	**$ 915,831**	**$ 394,885**	**$ 3,324,772**
Percent change from prior year	(26.8)%	25.0 %	(47.1)%	32.2 %	(104.3)%	(9.7)%	(3.4)%	(12.2)%

General Fund

During fiscal year 2009, the General Fund's total fund balance decreased $232.2 million or 26.8 percent. This decrease was due in large part to lower sales tax revenue as a result of the recessionary economy. To offset revenue shortfalls, the Legislature used balances set aside for specific purposes along with agency carry forward monies to balance the budget, causing the reserved fund balance to decrease by $165.6 million. The remainder of the decrease was in the unreserved designated fund balance described as follows.

The unreserved designated fund balance decreased $66.6 million or 16.9 percent. A significant part of the decrease was because the Legislature appropriated $7.4 million of interest earned in the prior year from the General Fund Budget Reserve Account, and $21 million from the Disaster Recovery Restricted Account to the General Fund to offset budget shortfalls for fiscal year 2009. The General Fund Budget Reserve Account and Disaster Recovery Restricted Account, both of which are reported as part of unreserved designated fund balance, ended fiscal year 2009 with a balance of $188.9 and $13.8 million, respectively. Decreased tax accruals designated by law accounted for most of the remaining change in the unreserved designated fund balance.

The General Fund ended fiscal year 2009 with a zero dollar surplus, or unreserved undesignated fund balance, by using $37.2 million of the $50.4 million of General Fund budgeted revenues set aside for fiscal year 2010. This left $13.2 million set aside in the budget and designated by the Legislature for fiscal year 2010 appropriations.

Total General Fund revenues increased $187 million or 4.1 percent from the prior year. Total tax collections decreased $225.8 million or 11.3 percent. The major decrease in tax revenues was sales tax, which decreased $222.9 million or 13 percent, due to the weak economy. Federal contracts and grants increased by $380.1 million or 20.1 percent and was the largest single factor in increasing non-tax revenues for the fiscal year. Of the increase, $362.9 million was provided by the *American Recovery and Reinvestment Act* (ARRA). Federal mineral lease revenue increased by $38.2 million or 28.5 percent, in part due to higher energy prices in the first quarter of fiscal year 2009 that led to higher mineral lease payments to the State. Miscellaneous and other revenue increased by $43.8 million or 27.6 percent. An increase in Medicaid supplemental drug rebates of $12.8 million was the largest single increasing revenue, with the balance of the increase across many miscellaneous revenues. The increase in revenues was offset by a decrease in investment income of $45.7 million or 60.4 percent due to lower interest rates.

Total General Fund expenditures increased by $276.1 million or 5.7 percent as the economic slowdown of the past fiscal year increased the public's demand for government services. The increase was also due in part to a 5 percent cost-of- living adjustment (COLA) provided for state employees, 2 percent of which was provided by changes to certain employee health insurance plans. Significant changes in expenditures occurred in the following areas:

- *Health and Environmental Quality* – Total expenditures in this category were up $162.9 million, primarily due to increased funding for Medicaid program costs resulting from a 19 percent increase in enrollees. A change to continuous open enrollment of new applicants in the Children's Health Insurance Plan (CHIP) also contributed to the increase.
- *Employment and Family Services* – Total expenditures in this category increased $87.3 million due to a $74.1 million increase in federal funding for Food Stamp program costs as a result of an increase in caseloads and benefits. Expenditures also increased $15.7 million due to increases in the Unemployment Insurance program administration; the Employment and Training, Veterans, and Trade Act programs; and the Medicaid program administration.
- *Human Services and Youth Corrections* – Total expenditures in this category were up $22.4 million due to funding increases in provider rates, and also increased demand for people with disabilities and child and family services.
- *Public Safety* – Total expenditures in this category increased $18.5 million due increases in highway safety programs.
- *Higher Education* – Total expenditures in this category decreased overall $26.5 million due to net budget reductions.

ARRA funds were used to restore $28.8 million to the institutions, but there still was a net reduction in fiscal year 2009 of 7.5 percent.

Budgetary Highlights — General Fund
The Legislature adopted the initial fiscal year 2009 budget during the 2008 General Session. The original revenue estimates in the General Fund budget at the start of fiscal year 2009, excluding department-specific revenue sources such as federal grants and departmental collections, and including miscellaneous transfers, were 0.6 percent higher than the final fiscal year 2008 budget. Budgeted expenditures were 7.6 percent lower than the final fiscal year 2008 budget. At the beginning of fiscal year 2009, revenue estimates were revised downward as sales and other taxes available for fiscal year 2009 were estimated to be $104.9 million less than anticipated. In September 2008, the 2008 Second Special Session of the Legislature was called by the Governor to address the revenue shortfalls. During the Second Special Session, the Legislature reduced most fiscal year agency budgets by 3 percent, and made other budget adjustments as necessary to balance the budget.

The fiscal year 2009 budget was again addressed during the 2009 General Session of the Legislature (January to March 2009). At that time, the general revenue estimates, primarily sales and use tax, had decreased $291.8 million from the original estimates adopted in the 2008 General Session. In order to balance the General Fund budget, the Legislature made additional budget reductions, utilized one-time fund balances and federal funding provided by the ARRA. Through the combined use of these fiscal strategies, Legislators were able to close the cumulative budget gap. In the end, taxes and other unrestricted revenues ended the year $20.9 million above the final budgeted amounts.

Final budgets of department-specific revenue sources increased over original budgets; and actual department-specific revenues increased over final budgets mostly due to an increase in departmental collections. Final budgets for many of the departmental-specific revenue sources and related expenditures such as federal grants, departmental collections, and miscellaneous revenues, are generally revised based on actual collections. The difference between final budgeted expenditures and actual expenditures is primarily due to nonlapsing and unspent restricted funds that will be carried forward to the next year. However, $4.8 million of unspent budgeted dollars were lapsed back to the General Fund by agencies.

Education Fund
Fund balance in the Education School Fund increased $103.7 million or 25 percent from the prior year due to a $99.5 million increase in the designated fund balance. In the prior year, the amount set aside in the budget and designated by the Legislature for the 2009 fiscal year appropriations was reported in the Uniform School Fund. This year the designated fund balance for 2010 fiscal year appropriations is reported in the Education Fund as was directed by the Legislature. Revenue from corporate taxes decreased by $161.4 million or 39.3 percent along with individual income taxes, which decreased $220 million or 8.6 percent. Although revenue decreased significantly, transfers out also decreased and no expenditures were reported in the Education Fund. A total of $2.492 billion was transferred out for public and higher education. Of this amount, the Uniform School Fund received $2.182 billion for public education, the General Fund received $237.7 million for higher education, and the Nonmajor Governmental Funds received $74.4 million for debt service and capital-related projects.

The Education Fund ended fiscal year 2009 with a $21.5 million dollar surplus, or unreserved undesignated fund balance, as compared to a zero dollar surplus in the prior year. In the event of a surplus, State law requires 25 percent of any revenue surplus in the Education Fund to be transferred to the Education Budget Reserve Account, an account within the Education Fund. However, State law prohibits transfers of surplus to the Education Budget Reserve Account when the balance exceeds 7 percent of Education Fund appropriations. At yearend, the balance exceeded the 7 percent limit, and as a result, no surplus transfer was made. The Education Budget Reserve Account ended the fiscal year with a balance of $230 million.

Uniform School Fund
Fund balance in the Uniform School Fund decreased $175.6 million or 47.1 percent from the prior year, in part because the designated fund balance at the beginning of the year was used for current year public education expenditures and less was transferred in from the Education Fund. In addition, at yearend, the amount set aside in the budget and designated by the Legislature for the 2010 fiscal year appropriations is now reported in the Education Fund. Revenues in the Uniform School Fund increased by $220.2 million or 47.2 percent, primarily due to a $217.6 million increase in federal contracts and grants as a result of the federal funding provided by the ARRA. Expenditures increased $74.2 million or 2.5 percent as the Legislature increased funding for enrollment growth for public education. The Uniform School Fund ended the year with a zero dollar surplus, or unreserved undesignated fund balance.

Transportation Fund
Fund balance in the Transportation Fund increased $164.5 million or 32.2 percent from the prior year primarily due to funding provided through general obligation bond proceeds, most of which were unspent at June 30, 2009, and net transfers (appropriations)

into the fund. Revenues increased by $20.7 million due in part to a $38.2 million increase in federal contracts and grants ($16.6 million of which was from the ARRA) and a $65 million increase in miscellaneous and other income because of an increase in fees received from cooperative agreements with cities and counties for construction projects. These increases were offset by a $49.8 million decrease, in part due to a decline in tax revenues as a result of the weak economy. Aeronautics revenue also decreased $34.5 million due to a reduction in fuel taxes collected and a decrease in federal aviation funding, which fluctuates based on the timing of projects completed. Expenditures increased by $302.6 million or 27.6 percent as a result of increased spending on federal participating highway projects. Over the past several years, there has been a major effort directed toward funding the State's transportation needs and critical highway projects.

Authorized federal funding for highway construction remains relatively stable from year to year. However, the spending of state and federal revenue reflects the timing of highway construction projects, which is impacted by a variety of circumstances such as environmental studies or existing weather conditions. In addition, the Department of Transportation has discretion on allocating federal funds among projects, which impacts the amount of federal revenue reported in the Transportation Fund and Transportation Investment Fund.

Transportation Investment Fund

Fund balance in the Transportation Investment Fund decreased by $208.5 million or 104.3 percent from the prior year as expenditures and transfers out exceeded revenues. Revenues in the fund decreased $37.7 million or 17.7 percent primarily due to a decrease in sales and use tax collections of $24.7 million. Federal contracts and grants revenue also decreased $13.2 million or 91.6 percent as federal funding slowed for specific Centennial Highway projects nearing completion. Although expenditures decreased by $79.7 million or 21.4 percent, construction expenditures increased for other critical highway projects funded out of the Transportation Fund.

Trust Lands Fund

The fund balance of the permanent Trust Lands Fund decreased by $98.6 million or 9.7 percent primarily due to a decline in investment values due to general market conditions and as a result of lower rates of return. The permanent fund also generated $24.8 million of cash investment earnings for the Uniform School Fund that is earmarked for distribution to local school districts. The principal in the fund is held in perpetuity with earnings restricted primarily to support public education.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs

The net assets of the Student Assistance Programs decreased only slightly by $4.1 million or 0.1 percent. The decrease is explained by changes in total assets and total liabilities. Total assets increased by $362.8 million primarily due to an increase in student loans receivable as unemployed workers returned to college in the down economy. Total liabilities increased $366.9 mainly due to a new participating line of credit payable to the U.S. Department of Education for student loans. Of total net assets of $297.8 million, $208.3 million is restricted for use within programs by bond covenants or federal law.

Unemployment Compensation Fund

The State's rising unemployment rate spurred by the state and national economic slowdown, resulted in a $341.5 million or 230.1 percent increase in benefit payments over the prior year. For the first time since fiscal year 2004, benefit payments exceeded employer taxes and other revenues, resulting in a reduction of net assets of $208.7 million. Nonetheless, assets were sufficient to handle the demand for benefits, although net assets decreased $209 million or 23.5 percent, to $679.3 million. The entire balance of net assets in this fund is restricted for paying unemployment benefits by state and federal law.

Water Loan Programs

The net assets of the Water Loan Programs increased $16.6 million or 2.4 percent from the prior year. Additional capital for loans was provided from $22.5 million in dedicated sales tax revenues, $15.7 million in federal grants, and $3.2 million in investment income, offset by net transfers out of the fund of $24.1 million. Loans receivable for the programs increased $58.4 million or 10.6 percent over the prior year as additional funds were available for loans. Of total net assets of $706.6 million, $321.6 million is restricted for use within the Water Loan Programs by federal grant requirements.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased a net $898.3 million during the year. The change consisted of net increases in infrastructure (i.e., state roads and bridges) of $1.430 billion; land and related assets of $184.5 million; buildings and improvements of 45.5 million; and a net decrease in construction in progress of $763.4 million. Machinery and equipment increased a net $1.5 million during the year. Several buildings financed by the State are actually owned by the colleges and universities, which are discrete component units of the State. Therefore, while the capital assets are on the component unit's financial statements, any outstanding debt issued by the State to finance construction of those assets is reported as a liability of the State's governmental activities. This in turn reduces unrestricted net assets. As of June 30, 2009, the State had $88.8 million of outstanding debt related to capital assets of component units.

At June 30, 2009, the State had $221 million in commitments for building projects in its capital projects funds and $1.233 billion ($181.9 million in the Transportation Investment Fund and $1.051 billion in the Transportation Fund) in commitments for highway construction and improvement projects. Funding for the commitments will come from existing resources in these funds and from future bond proceeds and appropriations.

The State has adopted an allowable alternative to reporting depreciation for state roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). Under this alternative method, referred to as the "modified approach," UDOT must maintain an asset management system and demonstrate that the infrastructure is being preserved at or above established condition levels. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

The State's established condition level for state roads is to maintain 50 percent with a rating of "fair" or better and no more than 15 percent with a "very poor" rating. The most recent condition assessment completed in 2008 (calendar year basis), indicated that 61 percent of the roads were in "fair" or better condition. Only 13.9 percent of the roads assessed were in "very poor" condition. These results reflect a slight decline from conditions in calendar year 2007, when 62.6 percent of the roads were assessed as "fair" or better, and 12.4 percent assessed were in "very poor" condition.

The State's established condition level for bridges is to maintain 50 percent with a rating of "good" and no more than 15 percent of bridges with a "poor" rating. The most recent condition assessment, completed in April 2009, indicated that 69 percent and 1 percent of bridges were in "good" and "poor" condition, respectively. These results are similar to the prior year.

During fiscal year 2009, the State spent $369.2 million to maintain and preserve roads and bridges. This amount is 5.8 percent above the estimated amount of $348.8 million needed to maintain these assets at established condition levels.

More information about capital assets is included in Note 8 on page 86, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on pages 126 and 127.

Long-term Debt

The *Constitution of Utah* authorizes issuing general obligation debt only as approved by the Legislature. The *Constitution* also limits the total general obligation indebtedness of the State to an amount equal to 1.5 percent of the value of the total taxable property of the State. The *State Appropriation and Tax Limitation Act* (i.e., statutory debt limit) further limits the outstanding general obligation debt of the State to not exceed 45 percent of the maximum allowable state budget appropriation limit. As of June 30, 2009, the State was $3.11 billion below the debt limit established in the *Constitution* and $661.6 million below the statutory debt limit.

Revenue bonds of the State Building Ownership Authority are not backed by the general taxing authority of the State, but are payable from rent revenue provided through appropriations of the Legislature or other operating revenues. Revenue bonds of the Student Assistance Programs are not backed by the general taxing authority of the State, but are payable solely from specific fees or loan repayments as pledged in the bond indentures.

State of Utah
Net Outstanding Bonded Debt as of June 30
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2008 to 2009**
General Obligation Bonds	$ 1,563.0	$ 1,198.0	$ —	$ —	$ 1,563.0	$ 1,198.0	30.5 %
Revenue Bonds:							
State Building Ownership Auth.	149.3	162.3	74.9	51.0	224.2	213.3	5.1 %
Student Assistance Programs	—	—	2,235.4	2,165.2	2,235.4	2,165.2	3.2 %
Total Bonds Payable	**$ 1,712.3**	**$ 1,360.3**	**$ 2,310.3**	**$ 2,216.2**	**$ 4,022.6**	**$ 3,576.5**	12.5 %

Total bonds payable increased $446.1 million during the fiscal year. The State issued $498.81 million of general obligation bonds during the fiscal year as the State sought to take advantage of lower interest rates to fund both highway and capital facility projects. Of the general obligation bonds issued, $394.36 million was for highway construction and $104.45 million was for capital facility construction. In addition, the State issued a total of $217.005 million of revenue bonds. Of the revenue bonds issued, $25.505 million was to provide for capital facility construction and $191.5 million was to provide capital for purchasing student loans in the Student Assistance Programs.

The State's active management of its resources has helped the State maintain its triple-A rating on general obligation bonds from all three national rating agencies, and double-A rating on lease revenue bonds from two national rating agencies from which ratings were sought. These ratings are the best available and save millions of dollars in interest each year because the State is able to obtain very favorable interest rates on new debt. Note 10 beginning on page 90 contains more information about the State's outstanding debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Original general revenue estimates of the General Fund and Education Fund for fiscal year 2010 are lower than actual fiscal year 2009 revenues. The Legislature balanced the 2010 budget by using one-time fund balances and federal funding provided by the ARRA. The State anticipates receiving up to $1.2 billion of ARRA funds in fiscal year 2010. The funds will be used for general government, health, human services, employment, and public and higher education operations.

Preliminary data for fiscal year 2010 show tax revenues lower than the original 2010 expected budget estimates. The overall unemployment rate is expected to increase in 2009 to 6.5 percent, up from the average 2008 rate of 3.4 percent. Taxable retail sales are expected to decline 8.1 percent in 2009 and increase 2.2 percent in 2010. Personal income is expected to decline 1.3 percent in 2009, yet grow 2 percent in 2010. Because these indicators are measured on a calendar year basis, the impact on the State budget will not be fully realized until well into fiscal year 2010. The Governor and Legislature are expected to review the fiscal year 2010 budget again during the upcoming 2010 General Session and take action as necessary to balance the budget.

CONTACTING THE STATE'S DIVISION OF FINANCE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Department of Administrative Services: Division of Finance, Financial Reporting Section at (801) 538-3082 or visit our Web site at: www.finance.utah.gov.

The preceding discussion and analysis focuses on the State's primary government operations. With the exception of a few nonmajor component units, the State's component units each issue separate audited financial statements that include their respective management's discussion and analysis. Component unit statements may be obtained from their respective administrative offices or from the Office of the Utah State Auditor, Utah State Capitol Complex, East Office Building, Suite E310, Salt Lake City, UT 84114.

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State of Utah

Basic Financial Statements

Antelope Island, Great Salt Lake

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Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 1,116,529	$ 1,080,442	$ 2,196,971	$ 573,263
Investments	1,070,235	206,281	1,276,516	1,719,979
Taxes Receivable, net	753,290	—	753,290	—
Accounts and Interest Receivable, net	754,113	141,689	895,802	453,090
Amounts Due From:				
Component Units	28,879	—	28,879	—
Primary Government	—	—	—	3,442
Prepaid Items	1,992	12,215	14,207	15,491
Inventories	17,990	30,307	48,297	60,631
Internal Balances	9,465	(9,465)	—	—
Restricted Investments	846,993	84,808	931,801	920,338
Deferred Charges	4,159	56,793	60,952	33,173
Notes/Loans/Mortgages/Pledges Receivable, net	26,396	3,427,108	3,453,504	1,406,949
Other Assets	62,990	—	62,990	82,003
Capital Assets:				
Land and Related Non-depreciable Assets	1,088,212	17,930	1,106,142	123,196
Infrastructure	9,406,853	—	9,406,853	—
Construction in Progress	793,112	2,120	795,232	294,921
Buildings, Equipment, and Other Depreciable Assets	2,094,420	77,833	2,172,253	4,864,674
Less Accumulated Depreciation	(868,035)	(25,876)	(893,911)	(2,158,927)
Total Capital Assets	12,514,562	72,007	12,586,569	3,123,864
Total Assets	17,207,593	5,102,185	22,309,778	8,392,223
LIABILITIES				
Accounts Payable and Accrued Liabilities	838,372	44,369	882,741	321,437
Amounts Due to:				
Component Units	3,439	3	3,442	—
Primary Government	—	—	—	28,879
Securities Lending	—	—	—	21,617
Unearned Revenue	99,850	14,338	114,188	117,956
Deposits	—	161	161	80,903
Long-term Liabilities (Note 10)				
Due Within One Year	285,214	581,031	866,245	281,665
Due in More Than One Year	1,664,537	2,099,295	3,763,832	2,265,089
Total Liabilities	2,891,412	2,739,197	5,630,609	3,117,546
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	11,277,630	13,751	11,291,381	2,529,490
Restricted for:				
Transportation	351,328	—	351,328	—
Public Education – Expendable	987,123	—	987,123	—
Public Education – Nonexpendable	915,831	—	915,831	—
Higher Education – Expendable	—	—	—	820,122
Higher Education – Nonexpendable	—	—	—	477,027
Debt Service	5,103	—	5,103	173,931
Unemployment Compensation and Insurance Programs	4,844	679,263	684,107	110,975
Loan Programs	—	589,743	589,743	—
Other Purposes – Expendable	85,270	—	85,270	363
Unrestricted	689,052	1,080,231	1,769,283	1,162,769
Total Net Assets	$ 14,316,181	$ 2,362,988	$ 16,679,169	$ 5,274,677

The Notes to the Financial Statements are an integral part of this statement.

State of Utah

Statement of Activities

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	$ 390,373	$ 154,794	$ 203,939	$ —
Human Services and Youth Corrections	700,307	13,359	332,109	—
Corrections, Adult	254,980	5,211	728	—
Public Safety	189,069	51,475	74,159	—
Courts	123,209	48,957	1,601	—
Health and Environmental Quality	1,812,067	64,328	1,408,147	—
Higher Education	997,218	32,981	1,158	—
Employment and Family Services	514,915	8,067	446,256	—
Natural Resources	174,730	71,266	39,096	—
Community and Culture	139,840	3,632	54,278	—
Business, Labor, and Agriculture	101,995	65,376	11,609	—
Public Education	3,033,574	79,462	423,336	—
Transportation	819,833	288,205	181,321	145,353
Interest and Other Charges on Long-term Debt	52,070	—	—	—
Total Governmental Activities	9,304,180	887,113	3,177,737	145,353
Business-type:				
Student Assistance Programs	144,007	89,805	50,058	—
Unemployment Compensation	489,925	144,383	136,812	—
Water Loan Programs	12,900	12,234	18,885	—
Community and Economic Loan Programs	2,349	7,838	9,039	—
Liquor Retail Sales	168,844	228,474	45	—
Other Business-type Activities	35,635	49,437	37	—
Total Business-type Activities	853,660	532,171	214,876	0
Total Primary Government	$10,157,840	$ 1,419,284	$ 3,392,613	$ 145,353
Component Units:				
Utah Housing Corporation	$ 115,681	$ 108,866	$ 10,000	$ —
Public Employees Health Program	591,855	581,917	16,838	—
University of Utah	2,530,643	1,893,353	407,108	124,662
Utah State University	492,875	136,781	167,841	20,420
Nonmajor Colleges and Universities	866,613	357,207	158,099	97,969
Nonmajor Component Units	66,476	29,257	2,174	—
Total Component Units	$ 4,664,143	$ 3,107,381	$ 762,060	$ 243,051

General Revenues:

Taxes:

Sales and Use Tax

Individual Income Tax Imposed for Education

Corporate Tax Imposed for Education

Motor and Special Fuel Taxes Imposed for Transportation

Other Taxes

Total Taxes

Investment Income

State Funding for Colleges and Universities

State Funding for Other Component Units

Gain on Sale of Capital Assets

Miscellaneous

Permanent Endowments Contributions

Transfers—Internal Activities

Total General Revenues and Transfers

Change in Net Assets

Net Assets—Beginning

Adjustment to Beginning Net Assets

Net Assets—Beginning as Adjusted

Net Assets—Ending

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (31,640)	$ —	$ (31,640)	$ —
(354,839)	—	(354,839)	—
(249,041)	—	(249,041)	—
(63,435)	—	(63,435)	—
(72,651)	—	(72,651)	—
(339,592)	—	(339,592)	—
(963,079)	—	(963,079)	—
(60,592)	—	(60,592)	—
(64,368)	—	(64,368)	—
(81,930)	—	(81,930)	—
(25,010)	—	(25,010)	—
(2,530,776)	—	(2,530,776)	—
(204,954)	—	(204,954)	—
(52,070)	—	(52,070)	—
(5,093,977)	0	(5,093,977)	0
—	(4,144)	(4,144)	—
—	(208,730)	(208,730)	—
—	18,219	18,219	—
—	14,528	14,528	—
—	59,675	59,675	—
—	13,839	13,839	—
0	(106,613)	(106,613)	0
(5,093,977)	(106,613)	(5,200,590)	0
—	—	—	3,185
—	—	—	6,900
—	—	—	(105,520)
—	—	—	(167,833)
—	—	—	(253,338)
—	—	—	(35,045)
0	0	0	(551,651)
1,762,745	22,976	1,785,721	—
2,336,528	—	2,336,528	—
252,095	—	252,095	—
337,395	—	337,395	—
354,982	—	354,982	—
5,043,745	22,976	5,066,721	0
29,267	—	29,267	922
—	—	—	751,866
—	—	—	34,330
15,583	—	15,583	—
46,375	—	46,375	—
—	—	—	25,276
38,953	(38,953)	—	—
5,173,923	(15,977)	5,157,946	812,394
79,946	(122,590)	(42,644)	260,743
14,235,255	2,486,558	16,721,813	5,013,934
980	(980)	—	—
14,236,235	2,485,578	16,721,813	5,013,934
$14,316,181	$ 2,362,988	$ 16,679,169	$ 5,274,677

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State of Utah

Governmental Fund Financial Statements

General Fund

This fund is the principal operating fund of the State. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Education Fund

This fund accounts for all revenues from taxes on income that support public and higher education in the State.

Uniform School Fund

This fund is maintained to account for specific revenues and expenditures that support public elementary and secondary schools and the State Office of Education.

Transportation Fund

This fund is maintained to account for revenues and expenditures associated with highway construction and maintenance. Principal funding is provided from dedicated highway user taxes, fees, and federal funds.

Transportation Investment Fund

This fund was created by the Legislature to account for revenues and expenditures associated with the maintenance and reconstruction of specific state and federal highways and designates Centennial Highway projects to be accounted for within this fund. Funding is provided from federal funds, highway general obligation bonds, registration fees, sales and use taxes, and appropriations.

Trust Lands

This permanent fund accounts for land grants and the sale of lands received from the federal *Enabling Act*. The principal in the fund is perpetual with the earnings used primarily to support public education.

Nonmajor Funds

Nonmajor governmental funds are presented by fund type beginning on page 132.

Balance Sheet
Governmental Funds

June 30, 2009 (Expressed in Thousands)

	General	Special Revenue: Education	Special Revenue: Uniform School	Special Revenue: Transportation
ASSETS				
Cash and Cash Equivalents	$ 348,597	$ 83,800	$ 174,253	$ 254,678
Investments	70,488	229,910	26,573	456,112
Receivables:				
Accounts, net	519,217	—	111,187	94,589
Accrued Interest	31	—	—	—
Accrued Taxes, net	165,315	517,330	1,615	56,367
Notes/Mortgages, net	1,419	—	9,369	285
Due From Other Funds	37,381	1,572	322	20,411
Due From Component Units	232	—	—	—
Inventories	—	—	—	13,324
Interfund Loans Receivable	34,899	—	34	—
Other Assets	21	—	—	—
Total Assets	$ 1,177,600	$ 832,612	$ 323,353	$ 895,766
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 415,472	$ 35,094	$ 117,200	$ 178,381
Due To Other Funds	26,283	—	454	6,322
Due To Component Units	—	—	379	—
Deferred Revenue	103,154	279,841	8,152	35,891
Total Liabilities	544,909	314,935	126,185	220,594
Fund Balances:				
Reserved for:				
Nonlapsing Appropriations and Encumbrances	137,879	—	46,193	3,279
Specific Purposes by Statute	159,649	—	148,039	443,879
Interfund Loans Receivable	7,696	—	34	—
Debt Service	—	—	—	—
Unreserved Designated	327,467	496,176	2,902	48,402
Unreserved Designated, reported in nonmajor:				
Debt Service Funds	—	—	—	—
Unreserved Undesignated	—	21,501	—	179,612
Unreserved Undesignated, reported in nonmajor:				
Special Revenue Funds	—	—	—	—
Capital Projects Funds	—	—	—	—
Total Fund Balances	632,691	517,677	197,168	675,172
Total Liabilities and Fund Balances	$ 1,177,600	$ 832,612	$ 323,353	$ 895,766

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue: Transportation Investment	Permanent: Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ —	$ 831	$ 190,944	$ 1,053,103
—	846,993	287,152	1,917,228
—	13,252	9,392	747,637
—	1,741	24	1,796
12,663	—	—	753,290
—	15,323	—	26,396
—	2,976	1,452	64,114
—	—	28,597	28,829
—	—	—	13,324
—	—	—	34,933
—	62,969	—	62,990
$ 12,663	$ 944,085	$ 517,561	$ 4,703,640
$ —	$ —	$ 66,407	$ 812,554
19,872	64	30,581	83,576
—	12	3,048	3,439
1,443	28,178	22,640	479,299
21,315	28,254	122,676	1,378,868
—	—	221,004	408,355
—	915,831	108,705	1,776,103
—	—	—	7,730
—	—	5,770	5,770
—	—	—	874,947
—	—	5,210	5,210
(8,652)	—	—	192,461
—	—	67,415	67,415
—	—	(13,219)	(13,219)
(8,652)	915,831	394,885	3,324,772
$ 12,663	$ 944,085	$ 517,561	$ 4,703,640

Reconciliation of the Balance Sheet — Governmental Funds To the Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

Total Fund Balances for Governmental Funds ………………………………………		$ 3,324,772
Total net assets reported for governmental activities in the Statement of Net Assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: (See Note 8)		
Land and Related Non-depreciable Assets	$ 1,088,195	
Infrastructure, Non-depreciable	9,406,853	
Construction-In-Progress	793,034	
Buildings, Equipment, and Other Depreciable Assets	1,912,891	
Accumulated depreciation	(760,277)	12,440,696
Some of the State's earned revenues will be collected after yearend, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. …..……………………………………………………...		379,710
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet operations to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. ....…................…		73,064
Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. …………………………..…		3,626
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds: (See Note 10)		
General Obligation and Revenue Bonds Payable	(1,640,463)	
Unamortized Premiums	(80,925)	
Amount Deferred on Refunding	10,108	
Accrued Interest Payable	(903)	
Pollution Remediation Obligation	(7,687)	
Compensated Absences	(162,689)	
Capital Leases	(19,210)	
Net Other Post Employment Benefit Obligation	(3,918)	(1,905,687)
Total Net Assets of Governmental Activities ………………………………………..		$ 14,316,181

The Notes to the Financial Statements are an integral part of this statement.

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Statement Of Revenues, Expenditures, And Changes In Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

		Special Revenue		
	General	Education	Uniform School	Transportation
REVENUES				
Taxes:				
Sales and Use Tax	$ 1,487,652	$ —	$ —	$ 119,141
Individual Income Tax	—	2,340,400	—	—
Corporate Tax	—	249,177	—	—
Motor and Special Fuels Tax	—	—	—	337,529
Other Taxes	280,934	—	33,359	8,474
Total Taxes	1,768,586	2,589,577	33,359	465,144
Other Revenues:				
Federal Contracts and Grants	2,272,215	—	597,224	322,175
Charges for Services/Royalties	293,753	—	2,397	69,092
Licenses, Permits, and Fees	23,018	—	5,002	77,237
Federal Mineral Lease	172,642	—	—	—
Federal Aeronautics	—	—	—	34,141
Intergovernmental	—	—	—	—
Investment Income	29,993	5,850	27,326	9,327
Miscellaneous and Other	202,666	—	21,019	114,287
Total Revenues	4,762,873	2,595,427	686,327	1,091,403
EXPENDITURES				
Current:				
General Government	283,138	—	—	—
Human Services and Youth Corrections	696,787	—	—	—
Corrections, Adult	252,886	—	—	—
Public Safety	209,961	—	—	—
Courts	127,442	—	—	—
Health and Environmental Quality	1,806,126	—	—	—
Higher Education – State Administration	60,224	—	—	—
Higher Education – Colleges and Universities	746,846	—	—	—
Employment and Family Services	519,282	—	—	—
Natural Resources	173,138	—	—	—
Community and Culture	135,062	—	—	—
Business, Labor, and Agriculture	92,430	—	—	—
Public Education	—	—	3,034,678	—
Transportation	—	—	—	1,400,858
Capital Outlay	—	—	—	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	5,103,322	0	3,034,678	1,400,858
Excess Revenues Over (Under) Expenditures	(340,449)	2,595,427	(2,348,351)	(309,455)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	—	—	—	394,360
Premium on Bonds Issued	—	—	—	33,557
Capital Leases Acquisition	2,010	—	—	—
Sale of Capital Assets	11,001	—	—	6,157
Transfers In	587,138	—	2,227,988	189,981
Transfers Out	(491,877)	(2,491,748)	(55,265)	(150,054)
Total Other Financing Sources (Uses)	108,272	(2,491,748)	2,172,723	474,001
Net Change in Fund Balances	(232,177)	103,679	(175,628)	164,546
Fund Balances – Beginning	864,868	413,998	372,796	510,626
Fund Balances – Ending	$ 632,691	$ 517,677	$ 197,168	$ 675,172

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue	Permanent		
Transportation Investment	**Trust Lands**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
$ 150,690	$ —	$ 3,741	$ 1,761,224
—	—	—	2,340,400
—	—	—	249,177
—	—	—	337,529
—	—	31,946	354,713
150,690	0	35,687	5,043,043
1,200	—	14,296	3,207,110
—	76,732	21,274	463,248
22,955	—	—	128,212
—	—	—	172,642
—	—	—	34,141
—	—	9,446	9,446
948	(200,798)	(5,169)	(132,523)
—	—	44,642	382,614
175,793	(124,066)	120,176	9,307,933
—	—	41,938	325,076
—	—	4,312	701,099
—	—	2,562	255,448
—	—	3,077	213,038
—	—	1,683	129,125
—	—	6,362	1,812,488
—	—	—	60,224
—	—	35,804	782,650
—	—	459	519,741
—	—	5,168	178,306
—	—	5,391	140,453
—	—	9,536	101,966
—	—	841	3,035,519
293,498	—	455	1,694,811
—	—	196,204	196,204
—	—	180,613	180,613
—	—	64,675	64,675
293,498	0	559,080	10,391,436
(117,705)	(124,066)	(438,904)	(1,083,503)
—	—	104,450	498,810
—	—	11,888	45,445
—	—	—	2,010
—	10,877	—	28,035
131,977	14,571	454,879	3,606,534
(222,796)	—	(146,019)	(3,557,759)
(90,819)	25,448	425,198	623,075
(208,524)	(98,618)	(13,706)	(460,428)
199,872	1,014,449	408,591	3,785,200
$ (8,652)	$ 915,831	$ 394,885	$ 3,324,772

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds To the Statement of Activities

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

Net Change in Fund Balances – Total Governmental Funds		$ (460,428)
The change in net assets reported for governmental activities in the Statement of Net Assets is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The primary government also constructs buildings for component units. When the buildings are completed they are "transferred" to component units and are reported as expenses in the Statement of Activities. This is the amount by which capital outlays $1,158,149 exceeded depreciation $(58,452) and buildings "transferred" to component units $(154,276) in the current period. (See Note 8)		945,421
In the Statement of Activities, only the gain/loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the assets sold.		(57,130)
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		(10,041)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet operations, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(7,685)
Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets: (See Note 10)		
Bonds Issued	$ (498,810)	
Premiums on Bonds Issued	(45,445)	
Capital Lease Additions	(2,010)	
Payment of Bond Principal	180,613	
Capital Lease Payments	1,569	(364,083)
Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources; interest on long-term debt unless certain conditions are met; and bond issue costs. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:		
Pollution Remediation Obligation Costs	155	
Compensated Absences Expenses	23,892	
Accrued Interest on Bonds Payable	63	
Amortization of Bond Premiums	15,486	
Amortization of Amount Deferred on Refunding	(3,462)	
Deferred Bond Issue Costs	1,676	
Other Post Employment Benefit Costs	(3,918)	33,892
Change in Net Assets of Governmental Activities		$ 79,946

The Notes to the Financial Statements are an integral part of this statement.

State of Utah

Proprietary Fund Financial Statements

Student Assistance Programs

These programs are comprised of two programs administered by the State Board of Regents: the Utah Higher Education Assistance Authority Student Loan Guarantee Program and the Student Loan Purchase Program. The purpose of these programs is to guarantee the repayment of student loans made by participating lenders to eligible student borrowers and to make loans to, and purchase the loans of, qualified students attending eligible institutions of higher education. Funds are acquired from the sale of bonds, lines-of-credit, variable rate demand notes, and financing agreements with the Student Loan Marketing Association.

Unemployment Compensation Fund

This fund pays claims for unemployment to eligible recipients and is funded through employer contributions and reimbursements, and federal grants.

Water Loan Programs

These programs provide loans to local governments, water districts, and other entities for the purpose of upgrading water storage facilities and other related structures. Capital for this fund has been provided from the General Fund or from general obligation bonds that have been repaid from general tax revenues. Additional funds have been generated by issuing revolving fund recapitalization revenue bonds that were secured by notes receivable and repaid from the collection of these notes.

Nonmajor Funds

Nonmajor enterprise funds are presented beginning on page 156.

Governmental Activities – Internal Service Funds

These funds are maintained to account for the operation of state agencies that provide goods or services to other state agencies and other governmental units on a cost-reimbursement basis. These funds are presented in more detail beginning on page 166.

Statement Of Net Assets
Proprietary Funds

June 30, 2009 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	**Unemployment Compensation Fund**	**Water Loan Programs**	**Nonmajor Enterprise Funds**
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 110,723	$ 642,206	$ 86,208	$ 241,305
Investments	205,361	—	—	—
Receivables:				
Accounts, net	11,932	64,669	114	11,972
Accrued Interest	37,178	—	6,472	4,542
Notes/Loans/Mortgages, net	458,636	—	33,579	33,790
Due From Other Funds	—	—	80	27,850
Due From Component Units	—	—	—	—
Prepaid Items	12,212	—	—	3
Inventories	—	—	—	30,307
Deferred Charges	—	—	—	—
Total Current Assets	836,042	706,875	126,453	349,769
Noncurrent Assets:				
Restricted Investments	84,808	—	—	—
Investments	—	—	—	920
Prepaid Items	—	—	—	—
Accrued Interest Receivable	—	—	3,894	916
Notes/Loans/Mortgages Receivables, net	1,936,847	—	577,867	386,389
Deferred Charges	56,793	—	—	—
Capital Assets:				
Land	—	—	—	17,930
Infrastructure	—	—	—	304
Buildings and Improvements	12,576	—	—	49,832
Machinery and Equipment	1,358	—	—	13,763
Construction in Progress	—	—	—	2,120
Less Accumulated Depreciation	(2,853)	—	—	(23,023)
Total Capital Assets	11,081	0	0	60,926
Total Noncurrent Assets	2,089,529	0	581,761	449,151
Total Assets	2,925,571	706,875	708,214	798,920
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	23,148	2,766	1,347	16,841
Deposits	—	64	—	97
Due To Other Funds	—	12,954	236	24,205
Due To Component Units	—	—	—	3
Interfund Loans Payable	—	—	—	—
Unearned Revenue	2,694	—	7	3,596
Policy Claims and Uninsured Liabilities	1,308	11,828	—	—
Contracts/Notes Payable	297,381	—	—	—
Revenue Bonds Payable	268,110	—	—	2,360
Arbitrage Liability	44	—	—	—
Total Current Liabilities	592,685	27,612	1,590	47,102
Noncurrent Liabilities:				
Accrued Liabilities	267	—	—	—
Unearned Revenue	8,041	—	—	—
Interfund Loans Payable	—	—	—	—
Policy Claims and Uninsured Liabilities	1,805	—	—	—
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	1,967,249	—	—	72,503
Arbitrage Liability	57,738	—	—	—
Total Noncurrent Liabilities	2,035,100	0	0	72,503
Total Liabilities	2,627,785	27,612	1,590	119,605
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,025	—	—	11,726
Restricted for:				
Unemployment Compensation and Insurance Programs	—	679,263	—	—
Loan Programs	208,299	—	321,639	59,805
Unrestricted (Deficit)	87,462	—	384,985	607,784
Total Net Assets	$ 297,786	$ 679,263	$ 706,624	$ 679,315

The Notes to the Financial Statements are an integral part of this statement.

Total	Governmental Activities – Internal Service Funds
$ 1,080,442	$ 63,426
205,361	—
88,687	4,545
48,192	—
526,005	—
27,930	26,238
0	50
12,215	1,710
30,307	4,666
0	16
2,019,139	100,651
84,808	—
920	—
0	282
4,810	—
2,901,103	—
56,793	517
17,930	17
304	303
62,408	6,081
15,121	175,145
2,120	78
(25,876)	(107,758)
72,007	73,866
3,120,441	74,665
5,139,580	175,316
44,102	19,830
161	—
37,395	2,261
3	—
0	27,203
6,297	96
13,136	16,711
297,381	28
270,470	69
44	—
668,989	66,198
267	—
8,041	165
0	7,730
1,805	26,939
0	484
2,039,752	736
57,738	—
2,107,603	36,054
2,776,592	102,252
13,751	73,158
679,263	4,844
589,743	—
1,080,231	(4,938)
$ 2,362,988	$ 73,064

Statement Of Revenues, Expenses, And Changes In Fund Net Assets
Proprietary Funds

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Nonmajor Enterprise Funds
OPERATING REVENUES				
Sales and Charges for Services/Premiums	$ 7,705	$ 144,383	$ 386	$ 273,423
Fees and Assessments	4,069	—	448	4,159
Interest on Notes/Mortgages	77,160	—	11,355	7,359
Federal Reinsurance and Allowances/Reimbursements	41,991	99,972	—	—
Miscellaneous	871	—	45	808
Total Operating Revenues	131,796	244,355	12,234	285,749
OPERATING EXPENSES				
Administration	4,636	—	9	34,032
Purchases, Materials, and Services for Resale	—	—	—	152,643
Grants	—	—	6,381	1,504
Rentals and Leases	—	—	—	2,107
Maintenance	—	—	—	2,591
Interest	55,285	—	—	—
Depreciation	545	—	—	1,740
Student Loan Servicing and Related Expenses	35,067	—	—	—
Payment to Lenders for Guaranteed Claims	44,858	—	—	—
Benefit Claims and Unemployment Compensation	—	489,925	—	—
Supplies and Other Miscellaneous	3,477	—	6,510	9,775
Total Operating Expenses	143,868	489,925	12,900	204,392
Operating Income (Loss)	(12,072)	(245,570)	(666)	81,357
NONOPERATING REVENUES (EXPENSES)				
Investment Income	8,067	36,840	3,221	5,154
Federal Grants	—	—	15,664	3,967
Gain (Loss) on Sale of Capital Assets	—	—	—	—
Tax Revenues	—	—	22,451	525
Interest Expense	—	—	—	(2,436)
Refunds Paid to Federal Government	—	—	—	—
Other Revenues (Expenses)	(139)	—	—	—
Total Nonoperating Revenues (Expenses)	7,928	36,840	41,336	7,210
Income (Loss) before Transfers	(4,144)	(208,730)	40,670	88,567
Transfers In	—	—	8,890	65,139
Transfers Out	—	(227)	(32,992)	(79,763)
Change in Net Assets	(4,144)	(208,957)	16,568	73,943
Net Assets – Beginning	301,930	888,220	690,056	606,352
Adjustment to Beginning Net Assets	—	—	—	(980)
Net Assets – Beginning as Adjusted	301,930	888,220	690,056	605,372
Net Assets – Ending	$ 297,786	$ 679,263	$ 706,624	$ 679,315

The Notes to the Financial Statements are an integral part of this statement.

Total	Governmental Activities – Internal Service Funds
$ 425,897	$ 293,920
8,676	—
95,874	—
141,963	—
1,724	44
674,134	293,964
38,677	108,431
152,643	76,608
7,885	—
2,107	2,343
2,591	23,859
55,285	—
2,285	16,395
35,067	—
44,858	—
489,925	11,980
19,762	52,252
851,085	291,868
(176,951)	2,096
53,282	1,564
19,631	—
0	(178)
22,976	—
(2,436)	(68)
0	(1,046)
(139)	(231)
93,314	41
(83,637)	2,137
74,029	324
(112,982)	(10,146)
(122,590)	(7,685)
2,486,558	79,769
(980)	980
2,485,578	80,749
$ 2,362,988	$ 73,064

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers/Loan Interest/Fees/Premiums ...	$ 69,176	$ 135,765	$ 11,975	$ 330,619
Receipts from Loan Maturities	199,763	—	36,970	27,081
Receipts Federal Reinsurance & Allowances/Reimburse ..	44,624	99,994	—	—
Receipts from State Customers	10,932	—	—	10,548
Student Loan Disbursements Received from Lenders	476,554	—	—	—
Student Loan Disbursements Sent to Schools/Lenders	(480,289)	—	—	—
Payments to Suppliers/Claims/Grants	(30,837)	(484,225)	348	(166,648)
Disbursements for Loans Receivable	(575,956)	—	(95,744)	(70,607)
Payments on Loan Guarantees	(43,037)	—	—	—
Payments for Employee Services and Benefits	(10,606)	—	(9)	(29,366)
Payments to State Suppliers and Grants	—	—	(11,635)	(21,098)
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	(40,764)
Net Cash Provided (Used) by Operating Activities	(339,676)	(248,466)	(58,095)	39,765
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	19,597
Repayments Under Interfund Loans	—	—	—	(16,651)
Receipts from Bonds, Notes, and Deposits	490,124	13	—	—
Payments of Bonds, Notes, Deposits, and Refunds	(123,006)	(14)	—	—
Interest Paid on Bonds, Notes, and Financing Costs	(73,434)	—	—	—
Federal Grants and Other Revenues	—	—	15,664	4,398
Restricted Sales Tax	—	—	22,451	525
Transfers In from Other Funds	—	—	8,890	63,052
Transfers Out to Other Funds	—	(227)	(32,992)	(78,223)
Net Cash Provided (Used) by Noncapital Financing Activities	293,684	(228)	14,013	(7,302)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Repayments Under Interfund Loans	—	—	—	—
Proceeds from Bond and Note Debt Issuance	—	—	—	27,270
Proceeds from Disposition of Capital Assets	—	—	—	73
Principal Paid on Debt and Contract Maturities	—	—	—	(2,517)
Acquisition and Construction of Capital Assets	(65)	—	—	(28,271)
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	(2,287)
Transfers In from Other Funds	—	—	—	2,087
Transfers Out to Other Funds	—	—	—	(1,540)
Net Cash Provided (Used) by Capital and Related Financing Activities	(65)	0	0	(5,185)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	771,070	—	—	173
Receipts of Interest and Dividends from Investments	8,134	36,840	3,384	5,046
Payments to Purchase Investments	(713,875)	—	—	—
Net Cash Provided (Used) by Investing Activities	65,329	36,840	3,384	5,219
Net Cash Provided (Used) – All Activities	19,272	(211,854)	(40,698)	32,497
Cash and Cash Equivalents – Beginning	91,451	854,060	126,906	210,482
Adjustment to Beginning Cash and Cash Equivalents	—	—	—	(1,674)
Cash and Cash Equivalents – Ending	$ 110,723	$ 642,206	$ 86,208	$ 241,305

The Notes to the Financial Statements are an integral part of this statement.

Total	Governmental Activities – Internal Service Funds
$ 547,535	$ 47,027
263,814	—
144,618	—
21,480	261,739
476,554	—
(480,289)	—
(681,362)	(141,290)
(742,307)	—
(43,037)	—
(39,981)	(105,719)
(32,733)	(37,488)
(40,764)	—
(606,472)	24,269
19,597	—
(16,651)	(4,460)
490,137	—
(123,020)	(1,301)
(73,434)	(30)
20,062	13
22,976	—
71,942	—
(111,442)	(10,129)
300,167	(15,907)
0	4,725
0	(4,337)
27,270	—
73	3,421
(2,517)	(48)
(28,336)	(18,983)
(2,287)	(43)
2,087	324
(1,540)	(17)
(5,250)	(14,958)
771,243	—
53,404	1,564
(713,875)	—
110,772	1,564
(200,783)	(5,032)
1,282,899	66,784
(1,674)	1,674
$ 1,080,442	$ 63,426

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	**Unemployment Compensation Fund**	**Water Loan Programs**	**Nonmajor Enterprise Funds**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (12,072)	$ (245,570)	$ (666)	$ 81,357
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	545	—	—	1,740
Interest Expense for Noncapital and Capital Financing	62,927	—	—	—
Miscellaneous Gains, Losses, and Other Items	5,450	—	—	1,178
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	6,777	(9,461)	639	15,778
Notes/Accrued Interest Receivables	(397,506)	—	(58,987)	(45,314)
Inventories	—	—	—	(1,696)
Prepaid Items/Deferred Charges	(24)	—	—	24
Accrued Liabilities/Due to Other Funds	(5,773)	(2,236)	919	(12,902)
Unearned Revenue/Deposits	—	—	—	(400)
Notes Payable	—	—	—	—
Policy Claims Liabilities	—	8,801	—	—
Net Cash Provided (Used) by Operating Activities	$ (339,676)	$ (248,466)	$ (58,095)	$ 39,765
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ 437	$ 876
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ 437	$ 876

The Notes to the Financial Statements are an integral part of this statement.

Total	Governmental Activities – Internal Service Funds
$ (176,951)	$ 2,096
2,285	16,395
62,927	—
6,628	—
13,733	14,900
(501,807)	—
(1,696)	2,153
0	(959)
(19,992)	(12,580)
(400)	(65)
0	(36)
8,801	2,365
$ (606,472)	$ 24,269
$ 1,313	$ 253
$ 1,313	$ 253

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State of Utah

Fiduciary Fund Financial Statements

Pension and Other Employee Benefit Trust Funds

These funds are used to account for defined benefit pension plans and defined contribution plans administered by the Utah Retirement Systems and to account for the State Post-Retirement Benefits Trust Fund, a defined benefit Other Postemployment Benefit Plan (OPEB Plan) administered by the State.

Investment Trust Fund

This fund is used to account for the investments related to external participants in the Utah State Public Treasurer's Investment Fund.

Private Purpose Trust Funds

These funds are used to report resources of all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds

Agency funds account for assets held by the State as an agent for other governmental units, other organizations, or individuals.

Individual funds are presented by fund type beginning on page 176.

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 1,026,029	$ 2,019,995	$ 19,950	$ 166,586
Receivables:				
Accounts	230	—	5,744	6,294
Contributions	38,931	—	—	—
Investments	435,551	—	—	—
Accrued Interest	—	24,491	—	—
Accrued Assessments	—	—	10,840	—
Due From Other Funds	3,850	—	1,130	105
Investments:				
Debt Securities	5,845,232	4,028,842	926,459	21,676
Equity Investments	6,208,338	—	1,781,926	—
Absolute Return	2,097,466	—	—	—
Private Equity	1,442,274	—	—	—
Real Estate	3,280,056	—	—	—
Mortgage Loans	6,845	—	—	—
Invested Securities Lending Collateral	1,192,833	—	—	—
Investment Contracts	39,220	—	—	—
Total Investments	20,112,264	4,028,842	2,708,385	21,676
Capital Assets:				
Land	1,779	—	271	—
Buildings and Improvements	11,405	—	10,715	—
Machinery and Equipment	3,875	—	934	—
Less Accumulated Depreciation	(16,534)	—	(2,653)	—
Total Capital Assets	525	0	9,267	0
Total Assets	21,617,380	6,073,328	2,755,316	$ 194,661
LIABILITIES				
Accounts Payable	835,371	—	2,346	$ —
Securities Lending Liability	1,192,833	—	—	—
Due To Other Funds	—	—	135	—
Due To Individuals, Organizations, and Other Governments	—	—	—	194,661
Unearned Revenue	—	—	260	—
Leave/Postemployment Benefits	7,416	—	—	—
Policy Claims Liabilities/Insurance Reserves	5,109	—	292,863	—
Real Estate Liabilities	1,231,575	—	—	—
Total Liabilities	3,272,304	0	295,604	$ 194,661
NET ASSETS				
Held in trust for:				
Pension Benefits	15,886,067	—	—	
Other Postemployment Benefits	69,767	—	—	
Defined Contribution	2,389,242	—	—	
Pool Participants	—	6,073,328	—	
Individuals, Organizations, and Other Governments	—	—	2,459,712	
Total Net Assets	$ 18,345,076	$ 6,073,328	$ 2,459,712	
Participant Account Balance Net Asset Valuation Factor		1.001386		

The Notes to the Financial Statements are an integral part of this statement.

Statement Of Changes In Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 306,037	$ —	$ 411,637
Employer	684,019	—	—
Court Fees and Fire Insurance Premiums	12,291	—	—
Total Contributions	1,002,347	0	411,637
Pool Participant Deposits	—	7,605,228	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(5,939,740)	28,172	(568,043)
Interest, Dividends, and Other Investment Income	502,728	104,205	78,582
Less Investment Expenses	(50,764)	(259)	—
Net Investment Income	(5,487,776)	132,118	(489,461)
Transfers From Affiliated Systems	14,537	—	—
Other Additions:			
Escheats	—	—	15,585
Royalties and Rents	—	—	3,259
Fees, Assessments, and Revenues	—	—	73,023
Miscellaneous	—	—	12,413
Total Other	0	0	104,280
Total Additions	(4,470,892)	7,737,346	26,456
DEDUCTIONS			
Pension Benefits	863,530	—	—
Retiree Healthcare Benefits	27,585	—	—
Refunds/Plan Distributions	169,121	—	—
Earnings Distribution	—	132,962	—
Pool Participant Withdrawals	—	8,014,905	—
Transfers To Affiliated Systems	14,537	—	—
Trust Operating Expenses	—	—	30,501
Distributions and Benefit Payments	—	—	152,232
Administrative and General Expenses	17,868	—	24,897
Total Deductions	1,092,641	8,147,867	207,630
Change in Net Assets Held in Trust for:			
Pension Benefits	(5,064,589)	—	—
Other Postemployment Benefits	17,886	—	—
Defined Contributions	(516,830)	—	—
Pool Participants	—	(410,521)	—
Individuals, Organizations, and Other Governments	—	—	(181,174)
Net Assets – Beginning	23,908,609	6,483,849	2,640,886
Net Assets – Ending	$ 18,345,076	$ 6,073,328	$ 2,459,712

The Notes to the Financial Statements are an integral part of this statement.

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State of Utah

Component Unit Financial Statements

Utah Housing Corporation

The Corporation was created to provide an alternative source of funding for home mortgages, particularly for lower income families. It is funded entirely through the issuance of bonds that are repaid from the interest and principal payments made on mortgages.

Public Employees Health Program

This program provides employee medical and other insurance services predominantly for agencies of the State. It also provides claims processing and insurance services for local governments and other public entities within Utah.

University of Utah and Utah State University

These universities are funded through state appropriations, tuition, federal grants, and private donations and grants. In addition to instruction, these universities provide research and other services. The operations of the University of Utah also include its hospital and clinics.

Nonmajor Component Units

Nonmajor component units are presented beginning on page 188.

State of Utah

Combining Statement Of Net Assets
Component Units

June 30, 2009 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 54,854	$ 10,744	$ 255,979	$ 40,261
Investments	172,638	31,267	600,854	48,343
Receivables:				
Accounts, net	—	28,799	287,004	58,829
Notes/Loans/Mortgages/Pledges, net	27,269	—	8,781	1,200
Accrued Interest	6,484	1,812	4,678	—
Due From Primary Government	—	—	3,048	—
Prepaid Items	1,315	11,042	—	1,937
Inventories	—	—	40,019	4,372
Deferred Charges	—	—	18,192	—
Total Current Assets	262,560	83,664	1,218,555	154,942
Noncurrent Assets:				
Restricted Investments	474,813	—	316,904	65,289
Accounts Receivables, net	—	—	—	31,714
Investments	—	184,622	345,774	130,203
Notes/Loans/Mortgages/Pledges Receivables, net	1,223,069	—	103,931	11,260
Deferred Charges	11,510	—	—	—
Other Assets	6,815	—	67,958	—
Capital Assets (net of Accumulated Depreciation)	6,398	267	1,578,878	490,663
Total Noncurrent Assets	1,722,605	184,889	2,413,445	729,129
Total Assets	1,985,165	268,553	3,632,000	884,071
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	57,080	13,557	180,296	37,381
Securities Lending Liability	—	21,617	—	—
Deposits	—	—	68,052	471
Due To Primary Government	—	—	15,095	3,002
Unearned Revenue	—	2,818	66,991	16,051
Current Portion of Long-term Liabilities (Note 10)	136,199	67,359	31,304	21,653
Total Current Liabilities	193,279	105,351	361,738	78,558
Noncurrent Liabilities:				
Accrued Liabilities	43	—	—	—
Unearned Revenue	8,210	—	—	540
Deposits	—	—	9,492	—
Due To Primary Government	—	—	—	—
Long-term Liabilities (Note 10)	1,550,239	51,960	396,633	145,541
Total Noncurrent Liabilities	1,558,492	51,960	406,125	146,081
Total Liabilities	1,751,771	157,311	767,863	224,639
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,709	267	1,202,270	383,603
Restricted for:				
Nonexpendable:				
Higher Education	—	—	308,512	78,668
Expendable:				
Higher Education	—	—	512,674	171,456
Debt Service	173,931	—	—	—
Insurance Plans	—	110,975	—	—
Other	—	—	—	—
Unrestricted	55,754	—	840,681	25,705
Total Net Assets	$ 233,394	$ 111,242	$ 2,864,137	$ 659,432

The Notes to the Financial Statements are an integral part of this statement.

Nonmajor Component Units	Total
$ 211,425	$ 573,263
81,043	934,145
32,989	407,621
5,438	42,688
350	13,324
394	3,442
1,197	15,491
16,240	60,631
3,471	21,663
352,547	2,072,268
63,332	920,338
431	32,145
125,235	785,834
26,001	1,364,261
—	11,510
7,230	82,003
1,047,658	3,123,864
1,269,887	6,319,955
1,622,434	8,392,223
33,070	321,384
—	21,617
1,827	70,350
9,613	27,710
23,346	109,206
25,150	281,665
93,006	831,932
10	53
—	8,750
1,061	10,553
1,169	1,169
120,716	2,265,089
122,956	2,285,614
215,962	3,117,546
939,641	2,529,490
89,847	477,027
135,992	820,122
—	173,931
—	110,975
363	363
240,629	1,162,769
$ 1,406,472	$ 5,274,677

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
Expenses	$ 115,681	$ 591,855	$ 2,530,643	$ 492,875
Program Revenues:				
Charges for Services:				
Tuition and Fees	—	—	192,898	108,284
Scholarship Allowances	—	—	(23,548)	(34,708)
Sales, Services, and Other Revenues (net of University of Utah patient services allowance of $60,942)	108,866	581,917	1,724,003	63,205
Operating Grants and Contributions	10,000	16,838	407,108	167,841
Capital Grants and Contributions	—	—	124,662	20,420
Total Program Revenues	118,866	598,755	2,425,123	325,042
Net (Expenses) Revenues	3,185	6,900	(105,520)	(167,833)
General Revenues:				
State Appropriations	—	—	266,761	148,256
Unrestricted Investment Income	—	—	—	—
Permanent Endowments Contributions	—	—	15,855	5,510
Total General Revenues	0	0	282,616	153,766
Change in Net Assets	3,185	6,900	177,096	(14,067)
Net Assets – Beginning	230,209	104,342	2,687,041	673,499
Net Assets – Ending	$ 233,394	$ 111,242	$ 2,864,137	$ 659,432

The Notes to the Financial Statements are an integral part of this statement.

Nonmajor Component Units	Total
$ 933,089	$ 4,664,143
304,281	605,463
(50,389)	(108,645)
132,572	2,610,563
160,273	762,060
97,969	243,051
644,706	4,112,492
(288,383)	(551,651)
371,179	786,196
922	922
3,911	25,276
376,012	812,394
87,629	260,743
1,318,843	5,013,934
$ 1,406,472	$ 5,274,677

Index to the Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Utah conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. Reporting Entity

For financial reporting purposes, the State of Utah reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, boards, commissions, and authorities that are considered an integral part of the State's activities. The State's component units are legally separate organizations for which the State's elected officials are financially accountable.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: (***1***) the ability of the State to impose its will on that organization or; (***2***) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Where the State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the reporting entity if an organization is fiscally dependent on the State, its resources are held for the direct benefit of the State or can be accessed by the State, or the relationship is such that it would be misleading to exclude it.

Except where noted below, the State's component units issue their own separate audited financial statements as special-purpose governments engaged only in business-type activities. These financial statements can be obtained from their respective administrative offices or from the Office of the Utah State Auditor, P.O. Box 142310, Salt Lake City, UT 84114.

Entities such as the local school districts, charter schools, and other local authorities of various kinds that may only partially meet the criteria for inclusion in this report have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a special revenue fund.)

Blended Component Units

Blended component units provide services entirely or almost entirely to the primary government. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds.

Utah State Building Ownership Authority (blended with the primary government's debt service and capital projects funds) — The Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing and operating facilities to meet the needs of state government. It is comprised of three members: the Governor or designee, the State Treasurer and the Chair of the State Building Board. Separate financial statements are not required or issued for the Authority.

Discrete Component Units

Discretely presented component units are reported in a separate column and/or rows in each of the government-wide statements to emphasize that they are legally separate from the State.

The Governor appoints at least a majority of the governing board members of each of the State's component units, subject in most cases to approval by the Senate. The Utah Housing Corporation is included in the reporting entity because of its ability to issue moral obligation debt of the State and low-income housing tax credits. The other component units are included in the reporting entity because under the criteria established by GASB, the State has the ability to impose its will on these organizations. The colleges and universities, the Public Employees Health Program, Comprehensive Health Insurance Pool and the Schools for the Deaf and Blind are included as component units due to the level of oversight provided by the State. The Governor-appointed board members of the remaining component units can be replaced at will.

The State's major discrete component units are:

Utah Housing Corporation — The Corporation issues bonds to provide capital for housing and home mortgages, especially for low and moderate-income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees.

Public Employees Health Program — This Program provides employee medical and other insurance services predominantly for agencies of the State. It also provides claims processing and insurance services for local governments and other public entities within Utah. The Program is administered by the Utah State Retirement Board.

University of Utah and Utah State University — These universities are funded primarily through state appropriations, tuition, federal grants, and private donations and grants. In addition to instruction, these universities provide research and other services. The operations of the University of Utah also include its hospital and clinics.

The State's nonmajor discrete component units are:

Comprehensive Health Insurance Pool — The Pool is a nonprofit quasi-governmental entity established within the State Insurance Department. It provides access to health insurance coverage for residents of the State who are considered uninsurable.

Utah Schools for the Deaf and the Blind — These Schools provide practical education to individuals with hearing and/or vision impairments. Although not required, these Schools issue separate but unaudited financial statements.

Heber Valley Historic Railroad Authority — The Authority is an independent state agency that maintains and operates a scenic and historic railroad in and around the Heber Valley. The Authority has a separate compilation report, but separate audited financial statements are not required or issued for it.

Utah State Fair Corporation — This is a nonprofit public corporation that operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It receives state appropriations for operations and working capital.

Colleges and Universities — Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley University, Dixie State College of Utah, College of Eastern Utah, Snow College, and the Utah College of Applied Technology. Separate audited financial statements are not required or issued for the Utah College of Applied Technology; however, its significant branch campuses each issue separate audited financial statements.

State Charter School Finance Authority — The Authority was created to provide an efficient and cost-effective method of issuing conduit debt on behalf of charter schools to acquire or construct charter school facilities. The debt is the responsibility of the charter schools, and neither the State nor any political subdivision of the State is obligated for repayment of the debt. Accordingly, this debt is not included as part of the State's reporting entity. There is no financial activity for the Authority and therefore no financial statements are required or issued.

Fiduciary Component Units

Utah Retirement Systems (defined benefit pension plans and defined contribution plans) — Utah Retirement Systems (URS) administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. URS is an independent state agency subject to legislative and executive department budgetary examination and comment. The Utah State Retirement Board, a seven-member board, is established by statute to administer the systems and plans, and to serve as investment trustees of the funds. Six members are appointed by the Governor with the advice and consent of the Senate, while the State Treasurer serves as the seventh member. Because of the State's trustee responsibilities for these systems and plans, GAAP requires them to be reported as pension trust funds of the primary government rather than discrete component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements.

Related Organization (Excluded from Financial Statements)

Workers' Compensation Fund — This Fund is a nonprofit quasi-public corporation created by the Legislature for a public purpose that provides workers' compensation insurance to private and public employers. The Governor appoints six of the Fund's seven board of directors, but the State's financial accountability for the Fund does not extend beyond making the appointments.

B. **Government-wide and Fund Financial Statements**

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entities' non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The State does not allocate general government (indirect) expenses to other functions. Program revenues include: (***1***) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (***2***) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. For governmental and proprietary funds financial statements, the emphasis is on major individual governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a separate column on the proprietary funds financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues to be available if the revenues are collected within 45 days after yearend. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after yearend.

Expenditures are generally recorded when the related liability is incurred, as under the accrual basis of accounting. However, expenditures for principal and interest on long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments of interest to be made early in the following year. Also, expenditures and related liabilities for compensated absences, postemployment benefits, and claims and judgments are recorded only to the extent they have matured (come due for payment).

Major Governmental Funds — The State reports the following major governmental funds:

- **General Fund**. This fund is the principal operating fund of the State. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- **Education Fund**. This special revenue fund accounts for all revenues from taxes on intangible property or from a tax on income that supports public and higher education.

- **Uniform School Fund**. This special revenue fund accounts for specific revenues and expenditures that support public elementary and secondary schools in the State.

- **Transportation Fund**. This special revenue fund accounts for revenues and expenditures associated with highway construction and maintenance.

- **Transportation Investment Fund**. This special revenue fund accounts for revenue and expenditures associated with Centennial Highway projects and other specific highway projects.

- **Trust Lands Fund**. This is a permanent fund that accounts for land grants and the sale of lands received from the federal *Enabling Act*. The principal in the fund is perpetual, with the earnings used primarily to support public education.

Nonmajor Governmental Funds — The State's nonmajor governmental funds include other special revenue funds, capital projects funds, and debt service funds. The nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Examples include tobacco settlement monies, environmental activities, crime victim reparations, debt collections, and rural development programs. The capital projects funds account for the resources used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds. The debt service funds account for resources used for the payment of interest and principal on general long-term debt obligations.

Proprietary Fund Financial Statements

The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public.

Reporting for business-type activities and enterprise funds follow all GASB pronouncements, and all Financial Accounting Standards Board's (FASB) pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as subsidies and investment earnings, are reported as nonoperating.

Major Enterprise Funds — The State reports the following major enterprise funds in its proprietary fund statements:

- **Student Assistance Programs**. These programs make loans to, and purchase loans of, qualified students attending eligible higher education institutions. The programs also guarantee the repayment of student loans made by participating lenders to eligible students.

- **Unemployment Compensation Fund**. This fund pays claims for unemployment to eligible recipients.

- **Water Loan Programs**. This fund provides loans to local governments, water districts, and other entities for the purpose of upgrading water storage facilities and other related structures.

Nonmajor Enterprise Funds — The State's nonmajor enterprise funds include loan programs for communities, low-income housing, agricultural, transportation infrastructure, and other purposes; Alcoholic Beverage Control (state liquor stores); Utah Correctional Industries; State Trust Lands Administration; and the Utah Dairy Commission.

Internal Service Funds — The State also reports the internal service fund type in the proprietary funds statements. The activities accounted for in internal service funds include technology services, fleet operations, risk management, copy and mail services, property management, and human resource management. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Financial Statements

The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals or organizations. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The following fiduciary fund types are reported:

Pension and Other Employee Benefit Trust Funds — These funds account for the plan assets, liabilities, net assets, and changes in net assets of: (***1***) defined benefit pension plans and defined contribution plans administered by Utah Retirement Systems; and (***2***) the State Post-Retirement Benefits Trust Fund, a defined benefit other postemployment health care plan (State Employees' OPEB Plan), administered by the State.

Investment Trust Fund — This fund is used to account for the investments related to external participants in the Utah State Public Treasurer's Investment Fund.

Private Purpose Trust Funds — These funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include the Utah Navajo Royalties Holding, Unclaimed Property Trust, Employers' Reinsurance Trust, Petroleum Storage Tank Trust, and the Utah Educational Savings Plan Trust.

Agency Funds — These funds account for assets held by the State as an agent for other governmental units, other organizations, or individuals. These funds include fines, forfeitures, tax collections, and withholding taxes for employees.

Component Unit Financial Statements

The combining component unit financial statements are presented in order to provide information on each of the major component units included in the component unit's column of the government-wide statements. The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The information is presented in order to be consistent with the government-wide statements, and is less detailed than the presentation in each component unit's separately issued financial statements. The component units follow all current GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. In addition, as allowed by GASB standards, the Public Employees Health Program has elected to apply all applicable FASB pronouncements issued after November 30, 1989, that do not conflict with GASB standards.

D. **Fiscal Yearends**

All funds and discretely presented component units are reported using fiscal years which end on June 30, except the defined benefit pension plans and defined contribution plans (fiduciary funds), administered by Utah Retirement Systems, Utah State Fair Corporation (nonmajor component unit), and the Utah Dairy Commission (nonmajor enterprise fund), which have fiscal years ending December 31.

E. **Assets, Liabilities, and Net Assets/Fund Balances**

Cash and Cash Equivalents and Investments

Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Assistance Programs (enterprise fund) use a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by their trustee as investments.

All cash deposited with the State Treasurer by state entities is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments. All interest revenue is allocated to the General Fund unless state law or trust agreements require allocations of interest to other funds. Funds authorized to receive interest earnings are segregated into separate investment pools, and interest is allocated based on cash balances in the pool.

Investments (including cash equivalents) are under the control of the State Treasurer or other administrative bodies as determined by law. In certain instances, investments may be restricted by law or other legal instruments. Investments are presented at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments. Investments held as security deposits which are not held for investment purposes are carried at cost. The Utah Retirement Systems' (defined benefit pension plans and defined contribution plans) mortgages are valued on an amortized cost basis which approximates fair value, and the fair value of real estate investments has been estimated based on independent appraisals.

The State's Unemployment Compensation Fund (enterprise fund) monies are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

Utah Retirement Systems (defined benefit pension plans and defined contribution plans) held four types of derivative financial instruments at yearend: futures, currency forwards, options, and swaps. Futures contracts are traded on organized exchanges to minimize credit risk. Currency forwards are entered into in order to hedge the exposure to changes in foreign currency exchange rates on foreign currency dominated portfolio holdings. Utah Housing Corporation (major component unit) enters into various rate swap contracts in order to increase funding capabilities. The Corporation sells variable rate bonds and minimizes the inherent risk with the use of floating-to-fixed interest rate swap contracts. See Note 3 for additional information about derivatives.

Receivables

Accounts receivables in the governmental and business-type activities consist mainly of amounts due from the Federal Government, customers, and others. Receivables from the Federal Government are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

Notes/mortgages receivables in the governmental and business-type activities are primarily long-term loans for local governments and agricultural development, home mortgages, and individual student loans. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are non-interest bearing. Student loans in the Student Assistance Programs (business-type activities) are fixed and variable rate federally insured loans. Student loans are insured at 95 to 100 percent of their principal balance depending on the date disbursed.

Accrued taxes include receivables for taxpayer-assessed taxes where the underlying exchange has occurred in the period ending June 30 or prior, net of applicable estimated refunds and allowances.

Note 5 provides a disaggregation of governmental and business-type receivables, including a breakout of current/noncurrent balances and established allowances.

Inventories and Prepaid Items

Proprietary funds and component units inventories are valued at the lower of cost or market. Cost evaluation methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased except for Transportation Fund inventories that are recorded as expenditures when consumed. Transportation Fund inventories are valued using a weighted average cost.

Prepaid items related to governmental funds are immaterial and recorded as expenditures in the governmental funds financial statements when paid.

Prepaid items for the Student Assistance Programs (enterprise fund) are primarily federal default fees charged at the time loan proceeds are disbursed and are amortized over the estimated lives of the loans using a method which approximates the interest method of amortization.

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads, bridges, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Assets. Capital assets of proprietary funds and fiduciary funds are also recorded in their respective fund statements. Capital assets, with the exception of infrastructure, are defined by the State as assets, which cost $5 thousand or more when acquired and have an estimated useful life greater than one year. Infrastructure assets are capitalized if the cost is over $1 million. Purchased or constructed capital assets are recorded at cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases.

Buildings, equipment, and other depreciable assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Equipment	3–15
Aircraft and Heavy Equipment	5–30
Buildings and Improvements	30–40
Land Improvements	5–20
Infrastructure	15–80

As provided by GASB standards, the State has elected to use the "modified approach" to account for infrastructure assets (i.e., roads and bridges) maintained by the State's Department of Transportation. This includes infrastructure acquired prior to fiscal year 1981. Under this approach, depreciation expense is not recorded and only improvements that expand the capacity or efficiency of an infrastructure asset are capitalized. Using this approach requires the State to: (***1***) maintain an inventory of the assets and perform periodic condition assessments; (***2***) estimate each year the annual amount to maintain and preserve the assets at the condition level set by the State; and (***3***) document that the assets are being preserved approximately at or above the condition level set by the State. Other infrastructure, which is primarily maintained by the Department of Natural Resources, is capitalized and depreciated.

Most works of art and historical treasures are not capitalized or depreciated. These assets are held for public exhibition, education, or research rather than financial gain. These assets are also protected, unencumbered, and preserved and subject to policies requiring the proceeds from sales of collection items to be used to acquire other collection items. The State's assets of this nature include the State Fine Art Collection, photographs, prints, paintings, historical documents and artifacts, monuments, statues, and paleontological and archaeological collections.

Accrued Liabilities

Accrued liabilities include the liability for employee payrolls and liabilities accruing over time where demand for payment is due shortly after fiscal yearend. See Note 6 for additional information about accrued liabilities.

Deferred Revenue — Unearned and Unavailable

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, unearned revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable. Deferred revenues for the Student Assistance Programs (enterprise fund) are primarily guarantee fees that are recognized as income over a period of ten years using the sum-of-the-years-digits method.

Policy Claims Liabilities

Policy claims liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates. Policy claims liabilities for Unemployment Insurance are for claims filed as of the reporting date. A substantial portion of policy claims liabilities is long-term in nature. Therefore, claims liabilities are reported as long-term liabilities on the Statement of Net Assets.

Long-term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, deferred amounts on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method or straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges (assets).

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments for non-purpose interest to the federal government at least once every five years over the life of the bonds. Federal regulations also require the Student Assistance Programs (enterprise fund) to keep the yield on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. One method of reducing this yield is to make yield reduction payments to the United States Treasury. Estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations.

Arbitrage liability is treated as an expense in the government-wide Statement of Net Assets and the proprietary fund financial statements when the liability is recognized. Arbitrage liability is recorded as an expenditure in the governmental funds financial statements when the liability is due. At June 30, 2009, the total estimated arbitrage rebate liability in the Student Assistance Programs (enterprise fund) was $57.783 million, of which $56.221 million represents yield reduction payments and $1.562 million represents the estimated liability for non-purpose interest. Other arbitrage liabilities are immaterial.

Compensated Absences and Postemployment Benefits

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of seven hours every two weeks after 20 years of employment. There is no requirement to use vacation leave, but a maximum of 320 hours may be carried forward at the beginning of each calendar year. Unused vacation leave is paid to employees upon termination. Employees who have a sick leave balance in excess of 144 hours at the beginning of a calendar year are eligible to "convert" up to 40 hours of sick leave if less than that amount is used during the year. Employees may use converted sick leave in place of annual leave. Any balance in converted sick is paid to employees upon termination. This converted sick leave program ends on January 1, 2014. The total liability of the governmental activities for compensated absences is recorded in the government-wide Statement of Net Assets as part of long-term liabilities. However, in accordance with GAAP, the liability is not recorded in the governmental funds financial statements. See Note 10 for additional information about the liability.

Employees earn sick leave at a rate of four hours for each two-week period, with no limit to the amount that can be accumulated. The State does not reimburse employees for unused sick leave upon termination unless employees are eligible for retirement or the sick leave is "converted". Sick leave is expended when used.

At retirement, for participating agencies, an employee receives 25 percent of the value of all unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. Each day of remaining sick leave earned prior to January 1, 2006, may be used to participate in the State's Other Postemployment Benefit Plan (State Employees' OPEB Plan) to purchase health and life insurance coverage or Medicare supplemental insurance. Any remaining sick leave earned on or after January 1, 2006, is converted to a value (based on the higher of the employee's rate of pay at retirement or the average pay rate of retirees in the previous year) and placed in a defined contribution plan – health reimbursement arrangement administered by Utah Retirement Systems. The Annual Required Contribution (ARC) needed to fund current and future liabilities of the State Employees' OPEB Plan is provided by charges to agency budgets. Payments of postemployment health and life insurance benefits to retirees are made from the State Employees' OPEB plan that is administered as a single-employer defined benefit healthcare plan. See Note 17 for additional information about the State's OPEB Plan administered as an irrevocable trust.

The State of Utah also administers the Elected Officials' OPEB Plan, a single-employer defined benefit healthcare plan. Only governors and legislators (elected officials) that retire after January 1, 1998 and have 4 or more years of service can elect to receive and apply for this benefit. To qualify for health coverage, elected officials must be between 62 and 65 years of age and either be active members at the time of retirement or have continued coverage with the program until the date of eligibility. To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. The State will pay a portion or all the health benefit costs for the elected official and spouse based on years of service. See Note 17 for additional information.

For administrative purposes, the State maintains compensated absences pools within the General Fund, Uniform School Fund, and Transportation Fund. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination is made from the compensated absences pools. Proprietary funds, Utah Schools for the Deaf and the Blind, and private purpose trust funds of the primary government also participate in the pools and the OPEB Plan, and have no liability for leave or postemployment benefits once their contributions have been made.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. In accordance with GAAP, compensatory time is expended when the leave is taken in governmental funds, but is expensed when earned for budgetary purposes.

Vacation earnings, sick leave earnings, and termination policies vary among component units and from the primary government's policies, but usually vacation leave is expended when earned and sick leave is expended when used.

Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide, proprietary fund, and fiduciary funds financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as reserved, designated, or unreserved. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

F. **Revenues and Expenditures/Expenses**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. However, the State has some programs that are funded by appropriations from both unrestricted resources and resources required by law to be deposited in a specific subfund for a specific purpose (which may include restricted resources). In those instances, it is the State's policy to expend those resources proportionally based on the amounts appropriated from each source.

Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met.

Federal grants include nonmonetary transactions for food and vaccine commodities. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2009, the State reported revenue and expenditures of $19.467 million for commodities in the General Fund, and $15.078 million for commodities in the Uniform School Fund (special revenue fund).

Investment Income

Investment income includes interest, dividends and other earnings, and the change in fair value of investments. Negative investment income is reported where the decrease in the fair value of investments due to market conditions exceeded the other components of investment income.

In accordance with state law, interest and dividend income from investments in the Trust Lands permanent fund and the State Endowment Fund (nonmajor governmental fund) is assigned to and reported directly in the Uniform School Fund and the General Fund, respectively. One half of the applicable income reported in the General Fund is then transferred back into the State Endowment Fund to increase the principal in the fund as required by state law.

Retirement and Employee Benefit Costs

Most state employees participate in a defined benefit pension plan and/or defined contribution plan administered by Utah Retirement Systems. Contributions collected for the pension plans and contribution plans and the retirement benefits paid are accounted for in the Pension and Other Employee Benefit Trust Funds. All costs for pension, health, and federal social security contributions are reported as expenditures in the appropriate function in governmental fund types or as expenses in applicable proprietary fund types. Pension and other benefit costs are recognized in the fiscal year in which the underlying payroll cost is incurred.

G. **Interfund Transactions**

Government-wide Financial Statements

Interfund Activity — In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount.

Interfund Balances — Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Governmental Fund Financial Statements

Interfund Activity — Interfund transactions for goods sold or services rendered for a price approximating their external exchange value, and employee benefit contributions are accounted for as revenues and expenditures/expenses in the funds involved.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. The State's transfers are based on legislative appropriations or other legal authority. Transfers are presented in Note 13.

NOTE 2. BEGINNING NET ASSET ADJUSTMENTS AND OTHER CHANGES

Beginning Net Assets Adjustments

The Transportation Infrastructure Loan Fund was reevaluated and is now reported as a nonmajor enterprise fund. It was previously reported as an internal service fund. As a result of this change, a reclassification $2.670 million was made to reduce beginning net assets of internal service funds and increase beginning net assets of nonmajor enterprise funds. Amounts included in the governmental activities on the prior year Statement of Net Assets and Statement of Activities included the following: $2.670 million in total assets; and, $87 thousand in total revenue.

The Energy Efficiency Fund was reevaluated and certain activities are now reported within the Property Management internal service fund. These activities were previously reported within a nonmajor enterprise fund. As a result of this change, a reclassification of $3.650 million was made to reduce beginning net assets of nonmajor enterprise funds and to increase beginning net assets of internal service funds. Amounts included in the business-type activities on the prior year Statement of Net Assets included $3.650 million in total assets. There was no prior year activity on the Statement of Activities.

(Notes continue on next page.)

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments for the primary government and its discrete component units are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council. However, the Act also permits certain funds that have a long-term perspective to make investments of a long-term nature, such as equities and bond mutual funds. In the primary government these are the State Endowment (special revenue fund), Employers' Reinsurance Trust (private purpose trust), and Utah Educational Savings Plan Trust (private purpose trust). Exempt from the Act in the primary government are the Trust Lands (permanent fund), Utah Retirement Systems and State Post-Retirement Benefits Trust Fund (pension and other employee benefit trust funds). The discrete component units exempt from the Act are Utah Housing Corporation, Public Employees Health Program, and the college and universities' endowment funds.

A. **PRIMARY GOVERNMENT**

Custodial Credit Risk — Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The Money Management Act requires that deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2009, were $437.544 million. These deposits are exposed to custodial credit risk as follows:

- $291.807 million were exposed to custodial credit risk as uninsured and uncollateralized.
- Exposure to custodial credit risk cannot be determined for $117.618 million of the primary government deposits which are in an FDIC-Insured Savings account at Zions First National Bank (Bank) for Account Owners in the Utah Educational Savings Plan Trust (UESP) (private purpose trust). Contributions to and earnings on the FDIC-Insured Savings account are insured by the FDIC on a pass-through basis to each Account Owner up to the maximum amount set by federal law. The amount of FDIC insurance provided to an individual is based on the total of (1) the value of an Account Owners investments in the UESP's FDIC-Insured Savings account plus (2) the value of other accounts held (if any) at the Bank, as determined by the Bank and by FDIC regulations. It is the Account Owners responsibility to determine how deposits in the FDIC-Insured Savings account would be aggregated with other deposits at the Bank for purposes of FDIC insurance.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

Statute allows certain funds acquired by gift, devise or bequest to be invested according to Rule 2 of the Money Management Council. Rule 2 allows the State to invest these funds in any of the above investments or in any of the following, subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock or convertible bonds; and corporate bonds or debentures. Currently, the Utah Education Savings Trust is the only entity required to comply with Rule 2.

The primary government's investments at June 30, 2009, are presented below. All investments, except those of the Utah Retirement Systems (pension and other employee benefit trust funds), are presented by investment type and debt securities are presented by maturity. The Utah Retirement Systems are presented consistent with their separately issued financial statements by investment type.

(Table on next page.)

Primary Government Investments
(except pension and other employee benefit trust funds)
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years): Less Than 1	1–5	6–10	More Than 10
Debt Securities					
U.S. Treasuries	$ 7,028	$ 5,307	$ 433	$ 1,288	$ —
U.S. Agencies	76,159	64,286	11,030	—	843
Corporate Debt	6,928,260	6,925,898	2,362	—	—
Negotiable Certificates of Deposit	65,198	65,198	—	—	—
Money Market Mutual Fund	2,360,000	2,360,000	—	—	—
Commercial Paper	187,206	187,206	—	—	—
Bond Mutual Fund *	753,519	—	—	753,519	—
Repurchase Agreements	7,928	7,928	—	—	—
	10,385,298	$ 9,615,823	$ 13,825	$ 754,807	$ 843
Other Investments					
Equity Securities	14,793				
Equity Mutual Funds Securities:					
Domestic	1,993,020				
International	379,566				
U.S. Unemployment Trust Pool	640,384				
Real Estate Held for Investment Purposes	43,565				
Real Estate Joint Ventures	1,894				
Component Units Investment in Primary Government's Investment Pool	(409,747)				
Total	$13,048,773				

* At June 30, 2009, the bond mutual fund had an average effective maturity of 6.7 years.

The majority of the primary government's corporate debt securities are variable-rate securities, which adjust periodically to the prevailing market interest rates. Because these securities frequently reprice, interest rate risk is substantially reduced at each periodic reset date. In the table above, variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

In addition, significant funds with a long-term investment perspective have the following mix of investments (percentages are of the fund's total investments).

- Utah Educational Savings Plan Trust (private purpose trust) – $1.457 billion, 63.1 percent, in domestic equity mutual fund securities; $514.761 million, 22.3 percent, in bond mutual fund; $192.401 million, 8.3 percent, in international equity mutual fund securities; and $144.847 million, 6.3 percent, in the Utah Public Treasurer's Investment Fund.
- Trust Lands (permanent fund) – $397.752 million, 48.1 percent, in domestic equity mutual fund securities; $198.829 million, 24.1 percent, in bond mutual fund; $187.165 million, 22.6 percent, in international equity mutual fund securities; and $42.798 million, 5.2 percent in real estate.
- State Post-Retirement Benefits Trust (pension and other employee benefit trust funds) – $36.006 million, 53.7 percent, in domestic equity mutual fund securities; $24.863 million, 37.1 percent, in bond mutual fund; and $6.215 million, 9.2 percent, in the Utah Public Treasurer's Investment Fund.
- State Endowment Fund (special revenue fund) – $22.412 million, 39.8 percent, in domestic equity mutual fund securities; $15.066 million, 26.7 percent, in bond mutual fund; and $18.871 million, 33.5 percent, in the Utah Public Treasurer's Investment Fund.

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Investments at Fair Value
At December 31, 2008
(Expressed in Thousands)

Investment Type	Defined Benefit	Defined Contribution	Total All Systems and Plans
Debt Securities – Domestic	$ 3,530,507	$ 1,219,322	$ 4,749,829
Debt Securities – International	531,765	—	531,765
Equity Securities – Domestic	2,814,945	488,403	3,303,348
Equity Securities – International	1,744,677	130,881	1,875,558
Short-term Securities Pools	1,040,698	1,546	1,042,244
Mortgage Loans:			
Real Estate Notes	6,845	—	6,845
Real Estate	3,280,056	—	3,280,056
Private Equity (Venture Capital)	1,442,274	—	1,442,274
Absolute Return	2,097,466	—	2,097,466
Guaranteed Investment Contracts	—	39,220	39,220
Equity Securities – Domestic (Pooled)	—	304,210	304,210
Mutual Fund – International	—	64,483	64,483
Investments Held by Broker-dealers Under Securities Lending Program:			
U.S. Government and Agency Securities	334,176	—	334,176
Corporate Debt Securities – Domestic	75,746	23,491	99,237
Debt Securities – International	105,362	—	105,362
Equity Securities – Domestic	430,302	40,723	471,025
Equity Securities – International	129,858	21,270	151,128
Total Investments	17,564,677	2,333,549	19,898,226
Securities Lending Collateral Pool	1,105,354	87,479	1,192,833
Total Investments	$ 18,670,031	$ 2,421,028	$ 21,091,059

Interest Rate Risk — Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The primary government's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51–7–11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270–365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. Funds that follow Rule 2 of the Money Management Council may not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) manage their exposure to fair value loss arising from increasing interest rates by complying with the following policy:

- For domestic debt securities managers, an individual debt securities investment manager's portfolio shall have an effective duration between 75 and 125 percent of the effective duration of the appropriate index.
- The international debt securities investment managers shall maintain an effective duration of their portfolio between 50 and 150 percent of the appropriate index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

The URS compares an investment's effective duration against the Barclays Capital Aggregate Index for domestic debt securities and the Barclays Capital Global Aggregate Index for international debt securities. The index range at December 31, 2008, was 2.78 – 4.64 for domestic debt securities and 2.56 – 7.68 for international debt securities. At December 31, 2008, no individual debt security investment manager's portfolio was outside of the policy guidelines. At December 31, 2008, the following tables show the investments by investment type, amount, and the effective weighted duration.

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, Domestic
At December 31, 2008
(Expressed in Thousands)

Investment	Defined Benefit Plans Fair Value	Defined Benefit Plans Effective Weighted Duration	Defined Contribution Plans Fair Value	Defined Contribution Plans Effective Weighted Duration	Total All Systems and Plans
Asset-backed Securities	$ 158,330	0.79	$ 35,452	1.58	$ 193,782
Commercial Mortgage-backed	179,880	4.12	90,382	2.78	270,262
Corporate Bonds	790,948	5.32	256,732	4.11	1,047,680
Fixed Income Derivatives — Futures	(476,344)	NA	—	—	(476,344)
Fixed Income Derivatives — Options	(2,485)	NA	—	—	(2,485)
Fixed Income Futures	476,344	NA	—	—	476,344
Government Agencies	212,546	3.29	120,403	2.80	332,949
Government Bonds	345,389	7.95	26,667	7.50	372,056
Government Mortgage-backed Securities	1,845,372	3.31	247,383	0.78	2,092,755
Guaranteed Fixed Income	1,506	3.26	—	—	1,506
Index Linked Government Bonds	97,211	6.86	—	—	97,211
Municipal/Provincial Bonds	1,077	12.01	—	—	1,077
Non-government Backed C.M.O.s	329,359	1.62	—	—	329,359
Other Fixed Income	1,521	0.32	214,229	NA	215,750
Other Liabilities	(22,840)	NA	—	—	(22,840)
Other Options	(4,465)	NA	—	—	(4,465)
Swap Liabilities	(53,662)	NA	—	—	(53,662)
Swaps	60,742	NA	—	—	60,742
Treasury Inflation Protected Securities	—	NA	36,083	5.08	36,083
Treasury Notes	—	NA	215,482	3.31	215,482
Total Debt Securities Investments, Domestic	$ 3,940,429	4.04	$ 1,242,813	2.40	$ 5,183,242

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, International
At December 31, 2008
(Expressed in Thousands)

Investment	Defined Benefit Plans Fair Value	Defined Benefit Plans Effective Weighted Duration
Corporate Bonds	$ 159,531	5.25
Fixed Income Derivative — Futures	37,969	7.70
Fixed Income Futures	(37,969)	NA
Government Agencies	11,295	3.64
Government Bonds	431,565	6.67
Index Linked Government Bonds	15,692	6.22
Municipal/Provincial Bonds	18,037	4.75
Non-government Backed C.M.O.s	1,007	(0.02)
Total Debt Securities Investments, International	$ 637,127	6.27

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government, with the exception of the Utah Retirement Systems (URS) (pension and other employee benefit trust funds), follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk.

The primary government's rated debt investments as of June 30, 2009, with the exception of URS, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale. Securities rated less than "A" met the investment criteria at the time of purchase.

Primary Government Rated Debt Investments
(except pension and other employee benefit trust funds)
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 76,159	$ 74,521	$ —	$ —	$ —
Corporate Debt	$ 6,928,260	$ 434,600	$ 1,656,480	$ 4,588,900	$ 45,531
Negotiable Certificates of Deposit	$ 65,198	$ —	$ 44,834	$ 20,104	$ —
Money Market Mutual Fund	$ 2,360,000	$ 400,000	$ —	$ —	$ —
Commercial Paper	$ 187,206	$ —	$ —	$ —	$ —
Bond Mutual Fund	$ 753,519	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Treasuries	$ 1,612	$ —	$ —	$ —	$ —
U.S. Agencies	$ 6,316	$ 6,316	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings BB	B	D	A1 *	Unrated
U.S. Agencies	$ —	$ —	$ —	$ —	$ 1,638
Corporate Debt	$ 60,399	$ 128,850	$ 13,500	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —	$ —	$ —	$ 260
Money Market Mutual Fund	$ —	$ —	$ —	$ —	$ 1,960,000
Commercial Paper	$ —	$ —	$ —	$ 187,206	$ —
Bond Mutual Fund	$ —	$ —	$ —	$ —	$ 753,519
Repurchase Agreements – Underlying:					
U.S. Treasuries	$ —	$ —	$ —	$ —	$ 1,612
U.S. Agencies	$ —	$ —	$ —	$ —	$ —

***** A1 is Commercial Paper rating

The URS expects its domestic debt securities investment managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

- U.S. government and agency securities — no restriction.
- Total portfolio quality shall maintain a minimum overall rating of "A" (S&P) or equivalent rating.
- Securities with a quality rating of below BBB– are considered below investment grade. No more than 5 percent of an investment manager's assets at market with a single issuer of 1 percent of the total portfolio can be below investment grade.
- Upon approval, a domestic debt securities investment manager may invest up to 10 percent of the portfolio in non-U.S. dollar denominated bonds.
- Upon approval, the international debt securities investment managers may hold up to 25 percent of the market value of their portfolios in securities rated below investment grade (S&P index BBB– or Moody's index Baa3). The remaining assets shall have on average an investment grade rating.

The weighted quality rating average of the domestic debt securities, excluding pooled investments, at December 31, 2008, is AAA and the fair value of below grade investments is $75.508 million or 1.92 percent of the domestic portfolio. The weighted quality rating average of the international debt securities investments, at December 31, 2008, is AAA and the fair value of below grade investments is $11.435 million or 1.79 percent of the international portfolio.

The following table presents the URS credit risk ratings as of December 31, 2008:

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments at Fair Value
At December 31, 2008
(Expressed in Thousands)

Quality Rating	Defined Benefit Plans Domestic	Defined Benefit Plans International	Defined Benefit Plans Total	Defined Contribution Plans Domestic	Total All Systems and Plans
AAA	$ 1,178,698	$ 326,986	$ 1,505,684	$ 118,247	$ 1,623,931
AA+	13,311	20,868	34,179	—	34,179
AA	69,117	116,279	185,396	34,947	220,343
AA–	19,970	15,326	35,296	2,798	38,094
A+	104,601	38,881	143,482	215,976	359,458
A	194,052	22,849	216,901	21,263	238,164
A–	69,209	21,329	90,538	20,130	110,668
BBB+	112,633	35,192	147,825	119,802	267,627
BBB	60,243	23,004	83,247	12,743	95,990
BBB–	56,711	4,978	61,689	13,606	75,295
BB+	1,081	—	1,081	3,493	4,574
BB	11,437	5,926	17,363	3,090	20,453
BB–	1,468	231	1,699	—	1,699
B+	5,646	4,219	9,865	1,296	11,161
B	6,908	129	7,037	—	7,037
B–	7,380	—	7,380	8,525	15,905
CCC+	8,126	—	8,126	11,404	19,530
CCC	6,917	—	6,917	—	6,917
CC	276	—	276	—	276
C	568	—	568	—	568
D	870	—	870	13,762	14,632
NR	24,831	930	25,761	7,001	32,762
Total credit risk debt securities	1,954,053	637,127	2,591,180	608,083	3,199,263
U.S. Government and Agencies	1,932,861	—	1,932,861	634,730	2,567,591
Pooled investments	53,515	—	53,515	—	53,515
Total debt securities investments	$ 3,940,429	$ 637,127	$ 4,577,556	$ 1,242,813	$ 5,820,369

Custodial Credit Risk — Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The primary government does not have a formal policy for custodial credit risk.

The primary government's investments at June 30, 2009, except those of the Utah Retirement Systems (URS) (pension and other employee benefit trust funds), were held by the State or in the State's name by the State's custodial banks; except $7.928 million of repurchase agreements where the underlying securities were uninsured and held by the investment's counterparty, not in the name of the State.

At December 31, 2008, the URS investments were registered in the name of URS and held by their custodians; however, there is 6.178 million frictional cash and cash equivalents subject to custodial risk in foreign banks held in URS' name, but because it is in foreign banks it is subject to custodial risk. URS does not have an investment policy regarding custodial credit risk for frictional cash in foreign banks. URS also has $15.377 million of investments for which exposure to custodial credit risk could not be determined.

Concentration of Credit Risk — Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Except for the Utah Retirement Systems (URS) (pension and other employee benefit trust funds), the primary government's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. Funds that follow Rule 2 of the Money Management Council are limited to investments in equity securities and fixed income corporate securities to no more than 5 percent of all funds in any one issuer and no more than 25 percent of all funds in any one industry. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

The primary government had no debt securities investments at June 30, 2009, with more than 5 percent of the total investments in a single issuer.

The Utah Retirement Systems debt securities investments had no single issuer investments at December 31, 2008, that exceed their diversified portfolio by sector and by issuer using the following guidelines:

- AAA/Aaa Debt Securities — no more than 5 percent of an investment manager's assets at market with a single issuer.
- AA–/Aa3 Debt Securities or higher — no more than 4 percent of an investment manager's assets at market with a single issuer.
- A–/A3 Debt Securities or higher— no more than 3 percent of an investment manager's assets at market with a single issuer.
- BBB–/Baa3 Debt Securities or higher — no more than 2 percent of an investment manager's assets at market with a single issuer.
- For Debt Securities — no individual holding shall constitute more than 10 percent of the market value of outstanding debt of a single issuer with the exception of the U.S. government or its agencies, or collateralized mortgage obligations.
- For Domestic Equity Securities — no individual holdings shall constitute more than 4 percent of the securities of any single issuer. Also, no more than 8 percent of an investment manager's assets shall be invested in the equity or REIT securities of any single issuer at market; or if specifically authorized in the manager's contract, the exposure of the portfolio to any single issuer shall not exceed the greater of 5 percent of the portfolio value or 2 percent of the portfolio value plus the benchmark weight measured at the time of purchase.
- For International Equity Securities — no more than 8 percent of an investment manager's assets shall be invested in the equity or REIT securities of any single issuer at market; or if specifically authorized in the manager's contract, the exposure of the portfolio to any single issuer shall not exceed the greater of 5 percent of the portfolio value or 2 percent of the portfolio value plus the benchmark weight measured at the time of purchase.

Foreign Currency Risk — Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The primary government, except the Utah Retirement Systems (URS) (pension and other employee benefit trust funds), does not have a formal policy to limit foreign currency risk.

The Utah Educational Savings Plan Trust (private purpose trust) has \$192.402 million and the Trust Lands (permanent fund) has \$187.165 million invested in international equity funds. As such, no currency denomination is presented.

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds), expect the International Securities Investment Managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

- International investment managers invest in fixed income instruments and equity instruments of corporations headquartered outside of the United States unless specifically authorized within the investment manager's contract.
- Domestic investment managers are allowed to invest in international corporations traded in American Depository Receipts (ADR).
- Portfolios should be adequately diversified to limit foreign currency and security risk.

Risk of loss arises from changes in currency exchange rates. URS exposure to foreign currency risk is shown below.

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Foreign Currency Risk
International Investment Securities at Fair Value
At December 31, 2008
(Expressed in Thousands)

Currency	Defined Benefit Plans Short-Term	Defined Benefit Plans Debt	Defined Benefit Plans Equity	Defined Benefit Plans Total	Defined Contribution Plans Equity	Total All Systems and Plans
American Depository Receipts (ADR) US dollar	$ —	$ 693	$ 637,577	$ 638,270	$ —	$ 638,270
Argentine peso	8	10	1,041	1,059	—	1,059
Australian dollar	54	18,863	39,610	58,527	5,558	64,085
Brazilian real	—	5,670	1,886	7,556	—	7,556
British pound sterling	2,499	84,825	200,919	288,243	22,826	311,069
Canadian dollar	25	14,247	37,207	51,479	863	52,342
Cayman Islands dollar	—	154	—	154	—	154
Chilean peso	—	1,325	—	1,325	—	1,325
Chinese yuan renminbi	—	—	4,095	4,095	—	4,095
Czech koruna	—	—	5,189	5,189	—	5,189
Danish krone	129	4,169	2,549	6,847	395	7,242
Estonian kroon	—	—	656	656	—	656
Euro	1,852	295,759	392,066	689,677	50,146	739,823
Hong Kong dollar	231	—	26,460	26,691	3,085	29,776
Icelandic krona	—	261	—	261	—	261
Indian rupee	—	—	5,615	5,615	—	5,615
Japanese yen	784	122,001	299,878	422,663	38,981	461,644
Kazakhstani tenge	—	378	—	378	—	378
Korean won	5	5,341	3,135	8,481	—	8,481
Liberian dollar	—	—	285	285	—	285
Malaysian ringgit	17	4,422	1,813	6,252	—	6,252
Mexican peso	—	23,766	530	24,296	—	24,296
New Zealand dollar	128	—	47	175	79	254
Norwegian krone	148	5,100	5,051	10,299	916	11,215
Panamanian balboa	—	1,971	5,966	7,937	—	7,937
Philippines peso	—	—	478	478	—	478
Polish zloty	—	2,636	—	2,636	—	2,636
Puerto Rico – US dollar	—	—	13,112	13,112	—	13,112
Qatari riyal	—	513	—	513	—	513
Russian Federation ruble	—	12,504	720	13,224	—	13,224
Singapore dollar	124	10,593	6,642	17,359	798	18,157
South African rand	—	—	5,761	5,761	—	5,761
Swedish krona	93	12,782	17,908	30,783	4,329	35,112
Swiss franc	130	6,665	146,271	153,066	13,979	167,045
Taiwanese new dollar	29	—	7,376	7,405	—	7,405
Thai baht	—	—	1,155	1,155	—	1,155
Tunisian dinar	—	641	—	641	—	641
Turkish Lira	—	—	3,537	3,537	—	3,537
United Arab Emirates dirham	—	1,838	—	1,838	—	1,838
Pooled International Investments	—	—	—	—	74,679	74,679
Total Securities Subject to Foreign Currency Risk	$ 6,256	$ 637,127	$ 1,874,535	$ 2,517,918	$ 216,634	$ 2,734,552

B. **COMPONENT UNITS**

Custodial Credit Risk — Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the component unit's deposits may not be recovered.

The component units follow the Money Management Act by making deposits only in qualified financial institutions in accordance with the Act. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the component units at June 30, 2009, were $224.377 million. Of these, $203.115 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The component units follow the applicable investing criteria described above for the primary government, with the exception of Utah Housing Corporation and Public Employees Health Program which are exempt from the Money Management Act.

College and university funds from gifts, private grants, and the corpus of funds functioning as endowments are invested according to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541) or separate endowment investment policies which have been approved by their Board of Trustees and by the Board of Regents. The UPMIFA and Rule 541 allow the Entity to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any investments allowed by the Money Management Act or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds registered with the Securities and Exchange Commission or the Comptroller of the Currency (e.g., mutual funds); professionally managed pooled or commingled investment funds created under 501(f) of the Internal Revenue Code which satisfy the conditions for exemption from registration under Section 3(c) of the Investment Company Act of 1940; any investment made in accordance with the donor's directions in a written instrument; and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital, private equity, both domestic and international), natural resources, and private real estate assets or absolute return and long/short hedge funds.

The component units' investments at June 30, 2009, are presented below.

Component Units Investments
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years): Less Than 1	1–5	6–10	11–20	More Than 20
Debt Securities						
U.S. Treasuries	$ 597,852	$ 345,783	$ 244,211	$ 6,906	$ 952	$ —
Government National Mortgage Association	9	—	—	—	9	—
U.S. Agencies	672,667	408,923	7,057	15,793	208,073	32,821
Corporate Debt	263,467	130,431	80,433	36,451	15,500	652
Commercial Paper	20,943	20,943	—	—	—	—
Money Market Mutual Funds	329,664	329,664	—	—	—	—
Negotiable Certificates of Deposit	5,640	5,341	299	—	—	—
Municipal/Public Bonds	12,993	1,852	1,009	3,139	6,993	—
Repurchase Agreements	27,192	27,192	—	—	—	—
Guaranteed Investment Contracts	165,804	114,993	16,023	3,732	31,056	—
Bond Mutual Funds	123,984	—	3,586	118,428	1,970	—
Securities Lending Cash Collateral Pool	21,617	21,617	—	—	—	—
Utah Public Treasurer's Investment Fund	409,747	409,747	—	—	—	—
	2,651,579	$ 1,816,486	$ 352,618	$ 184,449	$ 264,553	$ 33,473
Other Investments						
Equity Securities:						
Domestic	41,104					
International	2,176					
Equity Mutual Funds Securities:						
Domestic	333,287					
International	275					
Alternatives	847					
Commodities	676					
Real Estate Held for Investment Purposes	1,268					
Total	$ 3,031,212					

Interest Rate Risk — Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units' policy for managing interest rate risk is the same as described above for the primary government.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The component units' policy for reducing exposure to investment credit risk is the same as described above for the primary government. The component units' debt investments as of June 30, 2009, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Component Units Rated Debt Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 672,667	$ 670,389	$ —	$ 2,278	$ —
Corporate Debt	$ 263,467	$ 9,762	$ 44,103	$ 159,848	$ 43,221
Commercial Paper	$ 20,943	$ —	$ —	$ —	$ —
Money Market Mutual Funds	$ 329,664	$ 277,798	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ 5,640	$ —	$ —	$ 3,485	$ —
Municipal/Public Bonds	$ 12,993	$ 9,459	$ 1,728	$ —	$ —
Guaranteed Investment Contracts	$ 165,804	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 123,984	$ 34	$ —	$ 776	$ —
Securities Lending Cash Collateral Pool	$ 21,617	$ —	$ —	$ —	$ —
Utah Public Treasurer's Investment Fund	$ 409,747	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Agencies	$ 6,130	$ 2,646	$ —	$ —	$ —
Money Market Mutual Funds	$ 21,062	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings BB	B	CCC	CC	C
U.S. Agencies	$ —	$ —	$ —	$ —	$ —
Corporate Debt	$ 2,116	$ 733	$ 1,028	$ 867	$ 90
Commercial Paper	$ —	$ —	$ —	$ —	$ —
Money Market Mutual Funds	$ —	$ —	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —	$ —	$ —	$ —
Municipal/Public Bonds	$ —	$ —	$ —	$ —	$ —
Guaranteed Investment Contracts	$ —	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 20	$ 295	$ —	$ —	$ —
Securities Lending Cash Collateral Pool	$ —	$ —	$ —	$ —	$ —
Utah Public Treasurer's Investment Fund	$ —	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Agencies	$ —	$ —	$ —	$ —	$ —
Money Market Mutual Funds	$ —	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings A1 *	Unrated
U.S. Agencies	$ —	$ —
Corporate Debt	$ —	$ 1,699
Commercial Paper	$ 20,943	$ —
Money Market Mutual Funds	$ —	$ 51,866
Negotiable Certificates of Deposit	$ —	$ 2,155
Municipal/Public Bonds	$ —	$ 1,806
Guaranteed Investment Contracts	$ —	$ 165,804
Bond Mutual Funds	$ —	$ 122,859
Securities Lending Cash Collateral Pool	$ —	$ 21,617
Utah Public Treasurer's Investment Fund	$ —	$ 409,747
Repurchase Agreements – Underlying:		
U.S. Agencies	$ —	$ 3,484
Money Market Mutual Funds	$ —	$ 21,062

***** A1 is Commercial Paper rating

Custodial Credit Risk — Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the component units will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The component units do not have a formal policy for custodial credit risk.

The various component units' investments at June 30, 2009, were held by the component unit or in the name of the component unit by the component unit's custodial bank or trustee, except the following which were uninsured, were not registered in the name of the component unit, and were held by (expressed in thousands):

Counterparty		
U.S. Treasuries	$	544,829
U.S. Agencies	$	410,046
Corporate Debt	$	20,396
Repurchase Agreements	$	10,177
Equity Securities – Domestic	$	3,590
Equity Mutual Funds Securities – Domestic	$	36,807
Counterparty's Trust Department or Agent		
U.S. Treasuries	$	38,570
U.S. Agencies	$	328
Corporate Debt	$	132,652
Repurchase Agreements	$	17,015

Concentration of Credit Risk — Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Except for Utah Housing Corporation and Public Employees Health Program, the component units' policy for reducing this risk of loss is the same as described above for the primary government for non-endowment funds. For college and university endowments funds, their policy for reducing this risk of loss is to follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541) or separate endowment investment policies which have been approved by their Board of Trustees and by the Board of Regents.

The Utah Housing Corporation places no limit on the amount the Corporation may invest in any one issuer. More than five percent of the Corporation's investments are in the Federal National Mortgage Association, Royal Bank of Canada Guaranteed Investment Contracts, and CDC Guaranteed Investment Contracts. These investments are 14.33 percent, 9.55 percent, and 5.50 percent, respectively, of the Corporation's total investments.

Public Employees Health Program's policy limits the amount that may be invested in any one issuer to between 2 and 5 percent, depending on the credit rating of the security. There is no limit to investments in U.S. Government and Agency Securities. All investments are within policy limits.

Foreign Currency Risk — Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The component units do not have a formal policy to limit foreign currency risk.

C. **Securities Lending**

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) and the Public Employees Health Program (PEHP) (component unit) participate in security lending programs as authorized by their Boards. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to approximately 102 percent of the market value of the domestic securities on loan (both URS and PEHP) and 105 percent of the market value of the international securities on loan (URS only), with a simultaneous agreement to return the collateral for the same securities in the future. For both state entities, their custodial bank is the agent for its securities lending program. Securities under loan are maintained in the financial records, and corresponding liabilities are recorded for market value of the collateral received.

At yearend, neither the Utah Retirement Systems nor Public Employees Health Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.161 billion and $21.112 million, respectively, and the collateral received for those securities on loan was $1.193 billion and $21.617 million, respectively. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either the state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool.

The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the state entities cannot determine. Since the securities lending collateral is in a pool maintained by the custodial bank, the state entities do not have the ability to pledge or sell the securities, and it is not necessary to report the total income and expenses of securities lending.

D. **Derivative Financial Instruments**

Utah Retirement Systems

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) invests in derivative financial investments as authorized by Board policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed-upon benchmark. At December 31, 2008, URS had four types of derivative financial investments: futures, currency forwards, options, and swaps.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing URS' credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Fiduciary Net Assets. At December 31, 2008, URS' investments had the following futures balances (expressed in millions):

	Value Covered By Contract
Long – cash and cash equivalent derivative – futures	$ 373.887
Short – cash and cash equivalent derivative – futures	$ (27.148)
Long – cash and cash equivalent futures	$ 27.148
Short – cash and cash equivalent futures	$ 373.887
Long – equity derivatives – futures	$ 446.893
Short – equity futures	$ (446.893)
Long – debt securities derivatives – futures	$ 180.978
Short – debt securities derivatives – futures	$ (619.353)
Long – debt securities futures	$ 619.353
Short – debt securities futures	$ (180.978)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At December 31, 2008, URS investments included the following currency forwards balances (expressed in millions):

Currency forwards (pending foreign exchange purchases)	$ 254.149
Currency forwards (pending foreign exchange sales)	$ (252.881)

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, URS receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, URS pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At December 31, 2008, URS investments had the following options balances (expressed in thousands):

	Value Covered By Contract
Cash and cash equivalent purchased call options	$ (626)
Cash and cash equivalent purchased put options	$ (11)
Debt securities purchased call options	$ (1,276)
Debt securities purchased put options	$ (1,209)

URS has entered into various interest rate swap agreements in an attempt to manage their exposure to interest rate risk. Interest rate risk represents the exposure to fair value losses arising from the future changes in prevailing market interest rates. Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counter party who, in turn, agrees to make return interest payments that float with some reference rate. Most of the interest rate swaps were purchased in connection with variable real estate debt. Those interest rate swaps allowed URS to effectively convert most of their long term variable interest rate credit facility loans into fixed interest rate loans, thereby mitigating some of their interest rate risk. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Assets. At December 31, 2008, URS investments had the swap market value balances as shown in the table below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Interest Rate Swaps
December 31, 2008
(Expressed in Millions)

	Outstanding Notional Amount*	URS Rate**	Counterparty Rate**	Maturity Date	Fair Value
Interest Rate Swaps:					
	$ 1,137.699	4.0570 % – 5.4640 %	LIBOR	2010–2021	$ (164.945)
	$ 461.520	3.5000 % – 5.7700 %	Three Month LIBOR	2009–2018	$ (53.662)
	$ 551.700	Three Month LIBOR	3.4163 % – 5.5250 %	2009–2027	$ 60.743
Total Interest Rate Swaps	$ 2,150.919				$ (157.864)

* Base used to calculate interest
** London Interbank Offered Rate (LIBOR)

Utah Housing Corporation

The following are disclosures for derivative financial instruments held by Utah Housing Corporation (major component unit).

Objective — In order to protect against the potential of rising interest rates on its variable rate debt, the Corporation has entered into 76 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2009. The cost of these swaps is less than what the Corporation would have paid to issue fixed rate debt. The Corporation's swaps are all similar in nature and summary information is included in this report. More detailed information about each swap is included in the Corporation's separately issued financial statements.

Terms, Fair Values, and Credit Risk — The terms, including the fair values of the outstanding swaps as of June 30, 2009, are summarized below. The notional amounts of the swaps matched the principal amounts of the associated debt at the time of issuance. Except as discussed under rollover risk, the Corporation's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Utah Housing Corporation
Interest Rate Swap and Cap Agreements
June 30, 2009
(Expressed in Thousands)

Outstanding Notional Amount	Issue Dates	Fixed Rate Paid by the Corporation	Variable Rate Received from Counterparty	Fair Values	Termination Dates
Interest Rate Swap Agreements					
$ 539,780	2008	3.920 % to 5.610 %	SIFMA* plus .27 %	$ (55,833)	2022–2030
124,000	2008	3.730 % to 4.253 %	SIFMA* plus .11 %	(10,889)	2026–2030
37,450	2008	3.713 % to 4.000 %	SIFMA* plus .08 %	(1,601)	2028–2032
14,000	2008	3.299 % to 3.200 %	SIFMA*	(632)	2023
35,215	2008	4.640 % to 7.760 %	LIBOR** plus .15 %	(3,543)	2010–2020
25,610	2008	5.301 % to 5.545 %	LIBOR** plus .01 %	(1,316)	2038
$ 776,055				$ (73,814)	

* Securities Industry and Financial Markets Association
** London Interbank Offered Rate

Fair Values — The fair values of swaps are a function of market interest rates and the remaining term on the swap contracts. The fair values of the swap contracts were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk — During the year ended June 30, 2009 the Corporation replaced all of its 75 interest rate swaps with a notional amount of $781.65 million due to a credit event affecting its counterparties. Two new counterparties have provided the Corporation with replacement swaps in the same notional amount, with the same maturity dates and at the same fixed payer rates as the original swap agreements. In connection with the swap replacements, a premium of $8.903 million was received. This premium is represented in the financial statements as deferred revenue and is being amortized over the life of the swap agreements. The ability to acquire replacement swaps demonstrates a strong mitigating factor associated with credit and fair value risks.

Basis Risk — The Corporation's tax-exempt variable-rate bond coupon payments have historically been substantially the same as the SIFMA rate. Its taxable variable-rate bond coupon payments have historically been substantially the same as the LIBOR rate. As the interest rate swaps pay a variable rate based on the SIFMA rate (tax-exempt debt), or the LIBOR rate (taxable debt), the Corporation therefore has limited exposure to basis risk except as disclosed under the Tax/Cross-over Risk.

Tax / Cross-over Risk — Forty-nine of the Corporation's SIFMA based swaps are exposed to additional basis risk if the LIBOR rate is 3.5 percent or greater and in some cases 4 percent or greater. When the LIBOR rate is greater than 3.5 percent or 4 percent, the provider will pay the Corporation 68 percent of the LIBOR rate, rather than the SIFMA rate. Historically, on average, 68 percent of the LIBOR rate has been substantially the same as the Corporation's tax-exempt variable-rate bond coupon payments. However, this relationship has been subject to more basis risk than the relationship between SIFMA and the Corporations tax-exempt variable-rate bond payments.

Termination Risk — The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In addition, the Corporation has the option to terminate at any time at market rates (i.e., fair value adjusted for the counterparty's transaction costs).

Rollover Risk — The Corporation is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, the Corporation will not realize the synthetic rate offered by the swaps on the underlying debt issues. As of June 30, 2009, the Corporation's swap termination dates ranged from 0 to 24.5 years prior to the maturity dates of the associated debt.

NOTE 4. INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF.

The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (*Utah Code* Title 51, Chapter 7). The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the PTIF. The Act lists the investments that are authorized which are high-grade securities and, therefore, minimizes credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor that enables them to adjust their statement balances to fair value.

The PTIF condensed financial statements, inclusive of external and internal participants along with the portfolio statistics for the fiscal year ended June 30, 2009, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2009
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 2,544,118
Investments	7,012,392
Interest Receivable	24,491
Total Assets	$ 9,581,001
Net Assets Consist of:	
External Participant Account Balances	$ 6,074,555
Internal Participant Account Balances:	
Primary Government	3,097,052
Component Units	405,193
Undistributed Reserves and Unrealized Gains/Losses	4,201
Net Assets	$ 9,581,001
Participant Account Balance Net Asset Valuation Factor	1.001386

(Notes continue on next page)

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2009
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 10,088,974
Investment Income:	
Investment Earnings	173,464
Fair Value Increases (Decreases)	45,877
Total Investment Income	219,341
Less Administrative Expenses	(353)
Net Investment Income	218,988
Total Additions	10,307,962
Deductions	
Pool Participant Withdrawals	11,207,850
Earnings Distributions	202,127
Total Deductions	11,409,977
Net Increase/(Decrease) From Operations	(1,102,015)
Net Assets	
Beginning of Year	10,683,016
Net Assets – End of Year	$ 9,581,001

Public Treasurer's Investment Fund
Portfolio Statistics

June 30, 2009

	Range of Yields	Weighted Average Maturity
Money Market Mutual Fund	0.13 % – 1.28 %	1.00 days
Certificates of Deposit – Negotiable	1.38 % – 3.10 %	31.94 days
Certificates of Deposit – Nonnegotiable	1.25 % – 1.80 %	56.33 days
U.S. Agencies	1.00 % – 1.75 %	254.66 days
Corporate Bonds and Notes	0.00 % – 8.06 %	65.86 days
Commercial Paper	0.70 % – 1.45 %	29.29 days

June 30, 2009

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	1.62 %	50.00 days

Deposits and Investments

The following disclosure of deposits and investments is for the PTIF, which includes external and internal participants. These assets are also included in the Note 3 disclosures of deposits and investments for the primary government. To avoid duplication, some of the detailed information in Note 3 has not been repeated in this note.

Custodial Credit Risk — Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the PTIF's deposits may not be recovered. The PTIF follows the Money Management Act by making deposits only in qualified financial institutions in accordance with the Act.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the PTIF at June 30, 2009, were $3.14 million. Of those, $2.250 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The PTIF follows the Money Management Act by investing only in securities authorized in the Act. See Note 3 for information on authorized investments.

The PTIF investments at June 30, 2009, are presented below.

Public Treasurer's Investment Fund Investments
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years): Less Than 1	1–5
Debt Securities			
U.S. Agencies	$ 73,428	$ 63,402	$ 10,026
Corporate Bonds and Notes	6,913,812	6,913,812	—
Negotiable Certificates of Deposit	64,843	64,843	—
Money Market Mutual Fund	2,360,000	2,360,000	—
Commercial Paper	174,988	174,988	—
	$ 9,587,071	$ 9,577,045	$ 10,026

The majority of the PTIF's U.S. agencies and corporate debt securities are variable-rate securities, most of which reset every three months to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date. In the table above, variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Interest Rate Risk — Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The PTIF's policy for managing interest rate risk is to comply with the State's Money Management Act. See Note 3 for information on requirements of the Act related to interest rate risk.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The PTIF follows the Money Management Act as its policy for reducing exposure to investment credit risk. The PTIF's rated debt investments as of June 30, 2009, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

(Notes continue on next page)

Public Treasurer's Investment Fund Rated Debt Investments
(Expressed in Thousands)

Rated Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 73,428	$ 73,428	$ —	$ —	$ —
Corporate Bonds and Notes	$ 6,913,812	$ 434,600	$ 1,653,158	$ 4,579,124	$ 45,531
Negotiable Certificates of Deposit	$ 64,843	$ —	$ 44,835	$ 20,008	$ —
Money Market Mutual Fund	$ 2,360,000	$ 400,000	$ —	$ —	$ —
Commercial Paper	$ 174,988	$ —	$ —	$ —	$ —

Continues Below

Rated Debt Investments	Quality Ratings BB	B	D	A1 *	Not Rated
U.S. Agencies	$ —	$ —	$ —	$ —	$ —
Corporate Bonds and Notes	$ 60,399	$ 127,500	$ 13,500	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —	$ —	$ —	$ —
Money Market Mutual Fund	$ —	$ —	$ —	$ —	$ 1,960,000
Commercial Paper	$ —	$ —	$ —	$ 174,988	$ —

***** A1 is Commercial Paper rating

Concentration of Credit Risk — Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The PTIF's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5 percent of the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies. The PTIF had no debt securities investments at June 30, 2009, with more than 5 percent of the total investments in a single issuer.

(Notes continue on next page.)

NOTE 5. RECEIVABLES

Receivables as of June 30, 2009, consisted of the following (in thousands):

	Accounts Receivable					
	Federal	Customer	Other	Interest	Taxes	Notes/ Mortgages
Governmental Activities:						
General Fund	$ 356,175	$ 201,081	$ 12,075	$ 31	$ 187,445	$ 2,626
Education Fund	—	—	—	—	628,326	—
Uniform School Fund	106,835	4	4,348	—	1,615	9,369
Transportation Fund	70,612	22,615	1,723	—	57,491	285
Transportation Investment Fund	—	—	—	—	14,839	—
Trust Lands	—	—	13,252	1,741	—	15,323
Nonmajor Funds	—	9,392	—	24	—	—
Internal Service Funds	—	4,545	—	—	—	—
Adjustments:						
Fiduciary Funds	—	—	135	—	—	—
Total Receivables	533,622	237,637	31,533	1,796	889,716	27,603
Less Allowance for Uncollectibles:						
General Fund	—	(50,114)	—	—	(22,130)	(1,207)
Education Fund	—	—	—	—	(110,996)	—
Transportation Fund	—	—	(361)	—	(1,124)	—
Transportation Investment Fund	—	—	—	—	(2,176)	—
Receivables, net	$ 533,622	$ 187,523	$ 31,172	$ 1,796	$ 753,290	$ 26,396
Current Receivables	$ 533,622	$ 166,543	$ 18,498	$ 1,796	$ 657,614	$ 3,054
Noncurrent Receivables	—	20,980	12,674	—	95,676	23,342
Total Receivables, net	$ 533,622	$ 187,523	$ 31,172	$ 1,796	$ 753,290	$ 26,396
Business-type Activities:						
Student Assistance Programs	$ 10,146	$ 1,786	$ —	$ 37,178	$ —	$ 2,399,202
Unemployment Compensation	3,065	68,873	—	—	—	—
Water Loan Programs	—	114	—	10,366	—	611,446
Nonmajor Funds	831	11,141	—	5,458	—	420,179
Total Receivables	14,042	81,914	0	53,002	0	3,430,827
Less Allowance for Uncollectibles:						
Student Assistance Programs	—	—	—	—	—	(3,719)
Unemployment Compensation	—	(7,269)	—	—	—	—
Receivables, net	$ 14,042	$ 74,645	$ 0	$ 53,002	$ 0	$ 3,427,108

Accounts receivable balances are an aggregation of amounts due from the federal government, customers, and others. Receivables from customers include charges for services to local governments, fees and fines issued by the courts and corrections, employer contributions for unemployment benefits, and receivables as a result of overpayments to individuals receiving state assistance.

Receivables for fiduciary funds listed above represent amounts due from fiduciary funds that were reclassified as external receivables on the government-wide Statement of Net Assets.

Aggregated receivables for component units at June 30, 2009, were $1.795 billion for major component units and $65.209 million for nonmajor component units, net of an allowance for doubtful accounts of $155.082 million and $5.911 million, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2009, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds	Interest	Total
Governmental Activities:							
General Fund	$ 55,860	$ 248,083	$ 36,486	$ 72,914	$ 2,129	$ —	$ 415,472
Education Fund	—	—	—	—	35,094	—	35,094
Uniform School Fund	2,899	1,638	16,326	96,337	—	—	117,200
Transportation Fund	5,811	49	128,050	41,876	2,595	—	178,381
Nonmajor Funds	98	—	35,950	578	—	29,781	66,407
Internal Service Funds	5,695	—	14,130	—	—	5	19,830
Adjustments:							
Fiduciary Funds	—	—	—	5,085	—	—	5,085
Other	—	—	—	—	—	903	903
Total Governmental Activities	$ 70,363	$ 249,770	$ 230,942	$ 216,790	$ 39,818	$ 30,689	$ 838,372
Business-type Activities:							
Student Assistance Programs	$ 1,712	$ —	$ 7,146	$ 10,345	$ —	$ 4,212	$ 23,415
Unemployment Compensation	—	2,022	—	744	—	—	2,766
Water Loan Programs	—	—	1,347	—	—	—	1,347
Nonmajor Funds	2,163	—	12,234	1,968	—	476	16,841
Adjustments:							
Fiduciary Funds	—	—	—	—	—	—	—
Total Business-type Activities	$ 3,875	$ 2,022	$ 20,727	$ 13,057	$ 0	$ 4,688	$ 44,369

Accounts payable and accrued liability balances are an aggregation of amounts due to: (***1***) state employees for salaries/benefits; (***2***) service providers for childcare, job services and health services; (***3***) vendors and miscellaneous suppliers; (***4***) local and federal governments for services; (***5***) individuals and others as a result of tax overpayments; and (***6***) interest due on bonds and other obligations.

Adjustments for fiduciary funds listed above represent amounts due to fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Assets. Other adjustments are due to differences in the presentation and the basis of accounting between the fund financial statements and the government-wide Statement of Net Assets.

(Notes continue on next page.)

NOTE 7. INTERFUND BALANCES AND LOANS

Interfund Balances

Interfund balances at June 30, 2009, consisted of the following (in thousands):

Due to General Fund from:	
Uniform School Fund	$ 132
Transportation Fund	1,176
Trust Lands Fund	33
Nonmajor Governmental Funds	1,894
Unemployment Compensation Fund	11,382
Water Loan Programs	212
Nonmajor Enterprise Funds	20,439
Internal Service Funds	2,041
Fiduciary Funds	72
Total due to General Fund from other funds	$ 37,381
Due to Education Fund from Unemployment Compensation Fund	$ 1,572
Due to Uniform School Fund from:	
General Fund	$ 319
Internal Service Funds	3
Total due to Uniform School Fund from other funds	$ 322
Due to Transportation Fund from:	
General Fund	$ 446
Uniform School Fund	3
Transportation Investment Fund	19,872
Nonmajor Governmental Funds	1
Nonmajor Enterprise Funds	3
Internal Service Funds	86
Total due to Transportation Fund from other funds	$ 20,411
Due to Trust Lands Fund from Nonmajor Enterprise Funds	$ 2,976
Due to Nonmajor Governmental Funds from:	
General Fund	$ 840
Nonmajor Enterprise Funds	480
Internal Service Funds	105
Fiduciary Funds	27
Total due to Nonmajor Governmental Funds from other funds	$ 1,452
Due to Water Loan Programs from:	
General Fund	$ 49
Trust Lands Fund	31
Total due to Water Loan Programs from other funds	$ 80
Due to Nonmajor Enterprise Funds from:	
General Fund	$ 262
Uniform School Fund	28
Transportation Fund	3
Nonmajor Governmental Funds	27,533
Water Loan Programs	24
Total due to Nonmajor Enterprise Funds from other funds	$ 27,850
Due to Internal Service Funds from:	
General Fund	$ 20,606
Uniform School Fund	146
Transportation Fund	4,675
Nonmajor Governmental Funds	442
Nonmajor Enterprise Funds	307
Internal Service Funds	26
Fiduciary Funds	36
Total due to Internal Service Funds from other funds	$ 26,238
Due to Fiduciary Funds from:	
General Fund	$ 3,761
Uniform School Fund	145
Transportation Fund	468
Nonmajor Governmental Funds	711
Total due to Fiduciary Funds from other funds	$ 5,085
Total Due to/Due froms	$ 123,367

These balances resulted from the time lags between the dates that: (***1***) interfund goods and services are provided or reimbursable expenditures occur; (***2***) transactions are recorded in the accounting system; and (***3***) payments between funds are made.

Interfund Loans

Interfund loans at June 30, 2009, consisted of the following (in thousands):

Payable to General Fund from Internal Service Funds	$ 34,899
Payable to Uniform School Fund from Internal Service Funds	34
Total Interfund Loans Receivable/Payable	$ 34,933

The interfund loans receivable/payable balances consist of revolving loans with Internal Service Funds. The balance payable to the General Fund from Internal Service Funds of $34.9 million includes $7.696 million that is not expected to be repaid within one year.

(Notes continue on next page.)

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not being Depreciated:				
Land and Related Assets	$ 908,448	$ 187,822	$ (8,058)	$ 1,088,212
Infrastructure	7,976,676	1,475,658	(45,481)	9,406,853
Construction-In-Progress	1,557,346	932,181	(1,696,415)	793,112
Total Capital Assets Not being Depreciated	10,442,470	2,595,661	(1,749,954)	11,288,177
Capital Assets being Depreciated:				
Buildings and Improvements	1,457,138	82,944	(6,011)	1,534,071
Infrastructure	47,215	1,652	(18)	48,849
Machinery and Equipment	512,078	38,859	(39,437)	511,500
Total Capital Assets being Depreciated	2,016,431	123,455	(45,466)	2,094,420
Less Accumulated Depreciation for:				
Buildings and Improvements	(460,935)	(40,063)	2,766	(498,232)
Infrastructure	(10,188)	(1,673)	18	(11,843)
Machinery and Equipment	(360,496)	(33,111)	35,647	(357,960)
Total Accumulated Depreciation	(831,619)	(74,847)	38,431	(868,035)
Total Capital Assets being Depreciated, Net	1,184,812	48,608	(7,035)	1,226,385
Capital Assets, Net	$11,627,282	$2,644,269	$(1,756,989)	$12,514,562
Business-type Activities:				
Capital Assets Not being Depreciated:				
Land and Related Assets	$ 13,216	$ 4,714	$ —	$ 17,930
Construction-In-Progress	1,299	1,993	(1,172)	2,120
Total Capital Assets Not being Depreciated	14,515	6,707	(1,172)	20,050
Capital Assets being Depreciated:				
Buildings and Improvements	54,887	7,521	—	62,408
Infrastructure	304	—	—	304
Machinery and Equipment	15,576	196	(651)	15,121
Total Capital Assets being Depreciated	70,767	7,717	(651)	77,833
Less Accumulated Depreciation for:				
Buildings and Improvements	(11,760)	(1,620)	—	(13,380)
Infrastructure	(67)	(6)	—	(73)
Machinery and Equipment	(12,434)	(633)	644	(12,423)
Total Accumulated Depreciation	(24,261)	(2,259)	644	(25,876)
Total Capital Assets being Depreciated, Net	46,506	5,458	(7)	51,957
Capital Assets, Net	$ 61,021	$ 12,165	$ (1,179)	$ 72,007

Construction-in-progress of governmental activities includes amounts for buildings the State is constructing for colleges and universities (component units) that are funded by state appropriations or state bond proceeds. As the buildings are completed, the applicable amounts are deleted from construction-in-progress of governmental activities and "transferred" to the colleges and universities. For fiscal year 2009, $154.276 million of buildings were completed for colleges and universities. On the government-wide statement of activities, the building "transfers" are reported as higher education expenses of governmental activities and as program revenues of component units.

Depreciation expense of governmental activities was charged to functions as follows (in thousands):

General Government	$ 13,722
Human Services and Youth Corrections	5,682
Corrections, Adult	6,221
Public Safety	4,820
Courts	5,371
Health and Environmental Quality	2,098
Employment and Family Services	2,160
Natural Resources	7,579
Community and Culture	421
Business, Labor, and Agriculture	928
Public Education	838
Transportation	8,612
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of services provided	16,395
Total	$ 74,847

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands):

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University	Nonmajor Component Units	Total
Capital Assets Not being Depreciated:						
Land and Other Assets	$ 1,472	$ —	$ 18,550	$ 17,092	$ 86,082	$ 123,196
Construction-In-Progress	—	—	251,339	14,052	29,530	294,921
Total Capital Assets Not being Depreciated	1,472	0	269,889	31,144	115,612	418,117
Capital Assets being Depreciated:						
Building and Improvements	5,064	—	1,540,607	610,938	1,268,841	3,425,450
Infrastructure	—	—	178,243	—	36,868	215,111
Machinery and Equipment	1,695	1,793	837,108	194,767	188,750	1,224,113
Total Capital Assets being Depreciated	6,759	1,793	2,555,958	805,705	1,494,459	4,864,674
Less Total Accumulated Depreciation	(1,833)	(1,526)	(1,246,969)	(346,186)	(562,413)	(2,158,927)
Total Capital Assets being Depreciated, Net	4,926	267	1,308,989	459,519	932,046	2,705,747
Discretely Presented Component Units – Capital Assets, Net	$ 6,398	$ 267	$ 1,578,878	$ 490,663	$1,047,658	$ 3,123,864

(Continues on next page.)

The State had long-term construction project commitments totaling $221.003 million at June 30, 2009. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Funds (nonmajor governmental funds):

Capital Projects Fund
Construction Project Commitments
(Expressed in Thousands)

Project	Description	Remaining Construction Commitment
02243750	U of U – New Museum of Natural History	$ 54,639
06292700	USU – USTAR Life Sciences Building	25,506
06291750	U of U – USTAR Neuroscience & Biomedical Technology	23,635
08273770	USU – Vernal Bingham Entrepreneurship	16,910
07258700	Snow – Library/Classroom Building	9,722
08008770	USU – Early Childhood Research Center	9,355
07268300	Multi Agency Office Building	7,625
07042390	Unified State Lab Facility	6,855
06281150	St. George Courthouse	6,578
07260750	U of U – Nursing Building Renovation/Expansion	6,385
06272750	U of U – Eccles School of Business	5,024
05174250	UBATC Vernal Branch Building	2,456
07292900	UDOT – New Hurricane Maintenance Station	2,209
05225750	U of U – Hospital Expansion	2,149
07030550	POST Academy Remodel	1,952
09024670	SLCC – Center for New Media	1,609
07354100	Corrections – Lone Peak Facility Security Control System	1,309
08228030	ABC – New Hurricane Store	1,289
02156050	State Capitol Restoration	1,274
08227030	ABC – New Cedar City Store	1,272
08032470	UNG – Vernal, Camp Williams, American Fork, Price Armories	1,263
07297730	SUU – Gibson Science Center Addition	1,139
08211900	UDOT – Parleys Canyon Maintenance Station Replacement	1,118
08231110	CUCF – 192 Bed Expansion	1,100
—	All Others	28,630
	Total Commitments	$ 221,003

(Notes continue on next page.)

NOTE 9. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If an appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes.

Leases, that in substance are purchases, are reported as capital lease obligations. In the government-wide financial statements and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at the inception of the lease at either the lower of fair value or the present value of the future minimum lease payments. The principal portion of lease payments reduces the liability, and the interest portion is expensed.

On the governmental fund financial statements, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function.

The primary government's capital lease payments were $1.569 million in principal and $1.09 million in interest for fiscal year 2009. As of June 30, 2009, the historical cost of the primary government's assets acquired through capital leases was $25.812 million of which $24.274 million was buildings and $1.538 million was equipment and other depreciable assets. As of June 30, 2009, the accumulated depreciation of the primary government's assets acquired through capital leases was $9.01 million of which $8.173 million was buildings and $837 thousand was equipment and other depreciable assets.

Operating leases contain various renewal options, as well as some purchase options. However, due to the nature of the leases, they do not qualify as capital leases and the related assets and liabilities are not recorded. Any escalation clauses, sublease rentals, and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred.

Operating lease expenditures for fiscal year 2009 were $33.941 million for the primary government and $27.911 million for component units. For fiscal year 2008, the operating lease expenditures were $30.378 million for the primary government and $33.494 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2009, were as follows:

Future Minimum Lease Commitments
(Expressed in Thousands)

	Operating Leases			Capital Leases		
Fiscal Year	Primary Government	Component Units	Total	Primary Government	Component Units	Total
2010	$ 23,289	$ 29,538	$ 52,827	$ 2,564	$ 16,642	$ 19,206
2011	18,754	27,691	46,445	2,206	14,283	16,489
2012	14,428	24,334	38,762	1,885	11,679	13,564
2013	11,308	21,491	32,799	1,840	8,976	10,816
2014	6,358	19,976	26,334	1,871	5,019	6,890
2015–2019	9,363	73,869	83,232	8,424	11,396	19,820
2020–2024	2,037	41,344	43,381	6,946	6,699	13,645
2025–2029	10	14,222	14,232	957	672	1,629
2030–2034	10	3,089	3,099	—	—	—
2035–2039	10	2,625	2,635	—	—	—
2040–2044	10	—	10	—	—	—
2045–2049	10	—	10	—	—	—
2050–2054	10	—	10	—	—	—
2055–2060	7	—	7	—	—	—
Total Future Minimum Lease Payments	$ 85,604	$ 258,179	$ 343,783	26,693	75,366	102,059
Less Amounts Representing Interest				(7,483)	(11,554)	(19,037)
Present Value of Future Minimum Lease Payments				$ 19,210	$ 63,812	$ 83,022

NOTE 10. LONG-TERM LIABILITIES

A. **Changes in Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009, are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

Long-term Liabilities
(Expressed in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 1,161,510	$ 498,810	$ (167,700)	$ 1,492,620	$ 175,490
State Building Ownership Authority					
Lease Revenue Bonds	161,614	—	(12,960)	148,654	13,620
Net Unamortized Premiums	51,011	45,445	(15,494)	80,962	—
Deferred Amount on Refunding	(13,621)	—	3,470	(10,151)	—
Capital Leases (Note 9)	18,769	2,010	(1,569)	19,210	1,584
Contracts Payable	559	—	(47)	512	28
Compensated Absences (Notes 1 and 17)*	186,581	54,120	(78,012)	162,689	77,720
Claims	41,285	11,980	(9,615)	43,650	16,711
Pollution Remediation Obligation**	7,842	942	(1,097)	7,687	61
Net Other Post Employment Benefit Obligation	—	3,918	—	3,918	—
Total Governmental Long-term Liabilities	$ 1,615,550	$ 617,225	$ (283,024)	$ 1,949,751	$ 285,214
Business-type Activities					
Revenue Bonds	$ 2,165,180	$ 191,500	$ (121,358)	$ 2,235,322	$ 268,110
State Building Ownership Authority					
Lease Revenue Bonds	50,246	25,505	(2,075)	73,676	2,360
Net Unamortized Premiums	1,117	587	(213)	1,491	—
Deferred Amount on Refunding	(318)	—	51	(267)	—
Contracts/Notes Payable	—	297,381	—	297,381	297,381
Claims and Uninsured Liabilities	5,786	500,181	(491,026)	14,941	13,136
Arbitrage Liability (Note 1)	65,945	—	(8,163)	57,782	44
Total Business-type Long-term Liabilities	$ 2,287,956	$ 1,015,154	$ (622,784)	$ 2,680,326	$ 581,031
Component Units					
Revenue Bonds	$ 2,238,461	$ 179,702	$ (229,813)	$ 2,188,350	$ 157,522
Net Unamortized Premiums/(Discounts)	1,928	603	(91)	2,440	(512)
Capital Leases/Contracts Payable (Notes 9 and 10)	76,335	9,544	(15,921)	69,958	15,538
Notes Payable	45,271	4,498	(4,590)	45,179	5,086
Claims	124,445	586,863	(589,351)	121,957	69,997
Leave/Termination Benefits (Note 1)	95,953	82,755	(59,838)	118,870	34,034
Total Component Unit Long-term Liabilities	$ 2,582,393	$ 863,965	$ (899,604)	$ 2,546,754	$ 281,665

* Compensated absences of governmental activities are liquidated in the General Fund, Uniform School Fund, or Transportation Fund according to the applicable employing state agency. Claims liabilities of governmental activities are liquidated in the Risk Management Internal Service Fund.

** Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends Superfund trust monies for cleanup. Currently there are seven sites in various stages of cleanup, from initial assessment to cleanup activities. The pollution remediation liabilities associated with these sites were measured using the actual contract cost, where no changes in cost are expected, or the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

B. **General Obligation Bonds**

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities and for highway construction. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 2009, the

State had $233.841 million and $3.049 billion of authorized but unissued general obligation building and highway bond authorizations remaining, respectively. General obligation bonds payable information is presented below.

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2009
2001 B Highway/Capital Facility Issue	07/02/01	2004–2009	4.50 %	$ 348,000	$ 37,650
2002 A Highway/Capital Facility Issue	06/27/02	2003–2011	3.00 % to 5.25 %	$ 281,200	18,075
2002 B Refunding Issue	07/31/02	2004–2012	3.00 % to 5.38 %	$ 253,100	221,125
2003 A Highway/Capital Facility Issue	06/26/03	2005–2013	2.00 % to 5.00 %	$ 407,405	234,125
2004 A Refunding Issue	03/02/04	2010–2016	4.00 % to 5.00 %	$ 314,775	314,775
2004 B Highway/Capital Facility Issue	07/01/04	2005–2019	4.75 % to 5.00 %	$ 140,635	101,660
2007 Highway/Capital Facility Issue	07/03/07	2008–2014	4.00 % to 5.00 %	$ 75,000	66,400
2009 A Highway Issue	03/17/09	2010–2023	2.00 % to 5.00 %	$ 394,360	394,360
2009 B Capital Facility Issue	05/19/09	2010–2015	4.00 %	$ 104,450	104,450
Total General Obligation Bonds Outstanding					1,492,620
Plus Unamortized Bond Premium					79,591
Less Deferred Amount on Refunding					(9,396)
Total General Obligation Bonds Payable					$ 1,562,815

General Obligation Bond Issues
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal: 2001 B Highway/ Capital Facility	2002 A Highway/ Capital Facility	2002 B Refunding Bonds	2003 A Highway/ Capital Facility	2004 A Refunding Bonds	2004 B Highway/ Capital Facility	2007 Highway/ Capital Facility
2010	$ 37,650	$ 5,750	$ 50,835	$ 61,125	$ —	$ 11,180	$ 8,950
2011	—	6,000	53,670	50,025	39,310	25,755	10,185
2012.	—	6,325	56,705	15,100	40,830	30,600	15,030
2013	—	—	59,915	52,575	11,245	3,575	10,300
2014	—	—	—	55,300	18,480	3,750	10,720
2015–2019	—	—	—	—	204,910	21,775	11,215
2020–2024	—	—	—	—	—	5,025	—
Total	$ 37,650	$ 18,075	$ 221,125	$ 234,125	$ 314,775	$ 101,660	$ 66,400

Continues Below

Fiscal Year	Principal: 2009A Highway Bond	2009B Capital Facility Bonds	Total Principal Required	Total Interest Required	Total Amount Required
2010	$ —	$ —	$ 175,490	$ 63,100	$ 238,590
2011	23,665	450	209,060	52,783	261,843
2012.	23,680	19,175	207,445	42,945	250,390
2013	23,680	19,950	181,240	34,434	215,674
2014	23,680	20,775	132,705	28,292	160,997
2015–2019	124,740	44,100	406,740	68,621	475,361
2020–2024	174,915	—	179,940	21,249	201,189
Total	$ 394,360	$ 104,450	$ 1,492,620	$ 311,424	$ 1,804,044

C. **Revenue Bonds**

Revenue bonds payable consists of those issued by the Utah State Building Ownership Authority, the Utah State Board of Regents Student Loan Purchase Program, the Utah Housing Corporation, and various colleges and universities. These bonds are not considered general obligations of the State.

Governmental Activities

The Utah State Building Ownership Authority (SBOA) has issued bonds for the purchase and construction of facilities to be leased to state agencies and other organizations. The bonds are secured by the facilities and repayment is made from lease income appropriated by the Legislature and is not considered pledged revenue of the State. The outstanding bonds payable at June 30, 2009 are reported as a long-term liability of the governmental activities, except for $72.504 million and $2.359 million and which are reported in the Alcoholic Beverage Control Fund, and the Utah Correctional Industries Fund (nonmajor enterprise funds), respectively. These portions are reported as liabilities of the business-type activities on the government-wide statement of net assets.

Business-type Activities

The Utah State Board of Regents Student Loan Purchase Program (Student Assistance Programs) bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Funds and by the revenues and receipts derived from such assets. The Board of Regents has also issued a revenue bond for an office facility secured by funds within the Board of Regents budget that would otherwise be expended for rent.

The Student Assistance Programs include $566.802 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent. The Programs bonds also include adjustable rate bonds that are set by an auction procedure every 28 days in the amount of $847.1 million and $807.725 million of bonds that are auctioned every 35 days.

The Student Assistance Programs bonds issued under the 1988 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of: Student loans acquired under the indenture; all proceeds of the bonds and net revenues in the funds and accounts; and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $482.902 million of outstanding student loan revenue bonds which are payable through 2044. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $142.55 million and $20.316 million, respectively.

The Student Assistance Program's bonds issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $1.552 billion of outstanding student loan revenue bonds which are payable through 2046. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $43.592 million and $37.638 million, respectively.

The Student Assistance Program's bonds issued under the 2008 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $191.5 million of outstanding student loan revenue bonds which are payable through 2009. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net loss before interest expense were $485.449 thousand and $393.087 thousand, respectively.

Discrete Component Units

The Utah Housing Corporation revenue bonds were issued to provide sources of capital for making housing loans to persons of low or moderate income. Bonds repayments are made from the pledged mortgage payments.

The University of Utah, Utah State University and nonmajor component units issued revenue bonds for various capital purposes including student housing, special events centers, student union centers, and hospital and research facilities. The bonds are secured by pledged student building fees and other income of certain college activities.

Information on pledged revenues for discrete component units for the fiscal year ended June 30, 2009, is presented below.

(*Table on next page*.)

Pledged Revenue — Component Units
(Expressed in Thousands)

	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units
Type of Revenue Pledged*	D	A, B, C	A, B	A
Amount of Pledged Revenue	$3,037,160	$420,844	$156,262	$124,190
Term of Commitment	Thru 2050	Thru 2032	Thru 2035	Thru 2033
Percent of Revenue Pledged	100.00 %	100.00 %	100.00 %	100.00 %
Current Year Pledged Revenue	$ 108,866	$109,050	$ 26,337	$ 10,461
Current Year Principal and Interest Paid	$ 262,900	$ 54,849	$ 7,184	$ 8,555

*Type of Revenue Pledged:

A = Student and housing fees, auxiliary net revenues from bookstores, parking, stadium and event centers, and other campus generated charges and fees.

B = Research net revenue generated from the recovery of allocated facilities and administrative rates to grants and contracts.

C = Hospital and clinic net revenues from providing various health and psychiatric services to the community.

D = Principal and interest repayments from issuing and servicing mortgage loans on single and multi-family housing.

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2009
			Governmental Activities		
SBOA Lease Revenue Bonds:					
Series 1992 A	07/15/92	1993–2011	5.30 % to 5.75 %	$ 26,200	$ 6,190
Series 1992 B	07/15/92	1994–2011	4.00 % to 6.00 %	$ 1,380	335
Series 1993 A	12/01/93	1995–2013	4.50 % to 5.25 %	$ 6,230	1,835
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 101,557	77,500
Series 2001 A	11/21/01	2005–2021	4.00 % to 5.00 %	$ 69,850	5,350
Series 2001 B	11/21/01	2002–2024	3.00 % to 5.75 %	$ 14,240	11,670
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 20,820	16,310
Series 2004 A	10/26/04	2005–2027	3.00 % to 5.25 %	$ 32,458	29,464
Total Lease Revenue Bonds Outstanding					148,654
Plus Unamortized Bond Premium					1,371
Less Deferred Amount on Refunding					(755)
Total Lease Revenue Bonds Payable					$ 149,270

Continues Below

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2009
Business-type Activities					
Student Assistance Programs:					
1988 Trust Estate Student Loan Indentures	1988–2005	2005–2044	Variable	$ 504,985	$ 482,902
1993 Trust Estate Student Loan Indentures	1993–2006	2009–2046	Variable and 4.45 % to 4.55 %	$1,556,790	1,551,900
2008 Trust Estate Student Loan Indentures	2008	2042–2048	Variable	$ 191,500	191,500
Office Facility Bond Fund	2002, 2004	2003–2024	3.00 % to 5.25 %	$ 11,780	9,020
Total Revenue Bonds Outstanding...........					2,235,322
Plus Unamortized Bond Premium					37
Total Revenue Bonds Payable					$ 2,235,359
SBOA Lease Revenue Bonds:					
Series 1998 C.......................................	08/15/98	2000–2019	3.80 % to 5.50 %	$ 3,543	$ 2,915
Series 2001 B.......................................	11/21/01	2004–2023	3.25 % to 5.25 %	$ 11,540	9,020
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 1,905	1,545
Series 2004 A.......................................	10/26/04	2005–2025	3.00 % to 5.25 %	$ 13,347	11,821
Series 2006 A.......................................	01/10/06	2006–2027	3.50 % to 5.00 %	$ 8,355	7,785
Series 2007 A.......................................	07/10/07	2009–2028	4.25 % to 5.00 %	$ 15,380	15,085
Series 2009 A.......................................	03/25/09	2011–2030	3.00 % to 5.00 %	$ 25,505	25,505
Total Lease Revenue Bonds Outstanding .					73,676
Plus Unamortized Bond Premium					1,454
Less Deferred Amount on Refunding					(267)
Total Lease Revenue Bonds Payable					$ 74,863
Total Lease Revenue/ Revenue Bonds Payable...................					$ 2,459,492

Revenue Bond Issues — Primary Government
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal							
	1988 Trust Estate Student Loan Indentures	1993 Trust Estate Student Loan Indentures	2008 Trust Estate Student Loan Indentures	Office Facility Bond Fund	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority	1998 C Utah State Building Ownership Authority
2010..............	$ 37,600	$ 38,525	$191,500	$ 485	$ 1,945	$ 105	$ 425	$ 7,950
2011..............	—	—	—	510	2,060	110	445	8,410
2012..............	—	—	—	535	2,185	120	470	8,345
2013..............	—	—	—	555	—	—	495	8,805
2014..............	19,500	—	—	585	—	—	—	9,290
2015–2019.....	298,767	—	—	3,365	—	—	—	37,615
2020–2024.....	—	35,000	—	2,985	—	—	—	—
2025–2029.....	20,500	80,000	—	—	—	—	—	—
2030–2034.....	21,185	179,000	—	—	—	—	—	—
2035–2039.....	49,500	410,600	—	—	—	—	—	—
2040–2044.....	35,000	273,775	—	—	—	—	—	—
2045–2049.....	850	535,000	—	—	—	—	—	—
Total.......	$482,902	$1,551,900	$191,500	$ 9,020	$ 6,190	$ 335	$ 1,835	$ 80,415

Continues Below

Fiscal Year	Principal: 2001A Utah State Building Ownership Authority	2001 B Utah State Building Ownership Authority	2003 Utah State Building Ownership Authority	2004 A Utah State Building Ownership Authority	2006 A Utah State Building Ownership Authority	2007 A Utah State Building Ownership Authority	2009 A Utah State Building Ownership Authority
2010	$ —	$ 1,055	$ 1,275	$ 2,405	$ 300	$ 520	$ —
2011	—	1,090	1,325	2,550	315	545	830
2012	—	1,135	1,375	2,665	325	565	875
2013	—	1,175	1,440	2,795	335	585	900
2014	—	1,225	835	2,945	350	610	925
2015–2019	5,350	7,030	4,715	14,415	1,975	3,500	5,150
2020–2024	—	7,980	5,810	9,720	2,440	4,390	6,550
2025–2029	—	—	1,080	3,790	1,745	4,370	8,350
2030–2034	—	—	—	—	—	—	1,925
2035–2039	—	—	—	—	—	—	—
2040–2044	—	—	—	—	—	—	—
2045–2049	—	—	—	—	—	—	—
Total	$5,350	$20,690	$ 17,855	$ 41,285	$ 7,785	$ 15,085	$ 25,505

Continues Below

Fiscal Year	Total Principal Required	Interest Required	Total Amount Required
2010	$ 284,090	$ 36,101	$ 320,191
2011	18,190	34,236	52,426
2012	18,595	33,299	51,894
2013	17,085	32,391	49,476
2014	36,265	30,950	67,215
2015–2019	381,882	85,956	467,838
2020–2024	74,875	57,688	132,563
2025–2029	119,835	39,646	159,481
2030–2034	202,110	31,918	234,028
2035–2039	460,100	18,376	478,476
2040–2044	308,775	7,331	316,106
2045–2049	535,850	1,008	536,858
Total	$2,457,652	$ 408,900	$2,866,552

(*Notes continue on next page.*)

Revenue Bonds Payable — Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2009
Utah Housing Corporation Issues	1994–2009	2009–2050	Variable and 1.50 % to 9.00 %	$ 3,021,003	$ 1,685,845
University of Utah Revenue Bonds	1987–2008	2014–2032	Variable and 3.00 % to 6.75 %	$ 451,060	320,021
Utah State University Revenue Bonds	1999-2009	2014–2035	1.90 % to 5.25 %	$ 111,670	98,315
Nonmajor Component Units Revenue Bonds	1998–2008	2010–2033	2.00 % to 6.00 %	$ 117,445	84,169
Total Revenue Bonds Outstanding					2,188,350
Colleges and Universities Plus Unamortized Bond Premium					2,440
Total Revenue Bonds Payable					$ 2,190,790

Revenue Bond Issues — Component Units
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal						
Fiscal Year	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2010	$ 135,606	$ 12,721	$ 3,573	$ 5,622	$ 157,522	$ 96,157	$ 253,679
2011	27,272	15,301	3,755	5,331	51,659	94,335	145,994
2012	27,013	13,951	4,557	6,239	51,760	91,963	143,723
2013	27,829	14,441	4,725	4,343	51,338	89,643	140,981
2014	29,264	15,168	4,937	4,514	53,883	87,262	141,145
2015–2019	167,338	72,399	22,748	20,070	282,555	396,637	679,192
2020–2024	215,473	72,725	16,835	16,685	321,718	324,289	646,007
2025–2029	306,558	77,095	18,620	12,455	414,728	237,602	652,330
2030–2034	377,348	26,220	15,575	8,910	428,053	133,000	561,053
2035–2039	283,585	—	2,990	—	286,575	45,837	332,412
2040–2044	70,183	—	—	—	70,183	10,560	80,743
2045–2049	14,805	—	—	—	14,805	2,798	17,603
2050–2054	3,571	—	—	—	3,571	194	3,765
Total	$ 1,685,845	$ 320,021	$ 98,315	$ 84,169	$ 2,188,350	$ 1,610,277	$ 3,798,627

D. **Conduit Debt Obligations**

Of the Utah Housing Corporation (component unit) bonds outstanding, $333.926 million were issued as multi-family purchase bonds. Of those bonds, $333.926 million are conduit debt obligations issued on behalf of third parties. The Corporation is not obligated in any manner for repayment of the conduit debt. However, in accordance with the Corporation's accounting policies, the conduit debt is reported in the Corporation's financial statements.

In 1985, the State Board of Regents authorized the University of Utah (component unit) to issue Variable Rate Demand Industrial Development Bonds for the Salt Lake City Marriott University Park Hotel separate from the University. The bonds are payable solely from revenues of the hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. The outstanding balance of the bonds at June 30, 2009, is $5.1 million.

The State Charter School Finance Authority (component unit) issued conduit debt obligations on behalf of various charter schools. The debt is the responsibility of the charter schools, and neither the State nor any political subdivision of the State is obligated in any manner for repayment of the debt. Accordingly, this debt has not been reported in the accompanying financial statements. The outstanding balance at June 30, 2009, is $104.045 million in tax-exempt and $710 thousand in taxable conduit debt.

E. **Demand Bonds**

- The Student Assistance Programs had $566.802 million of demand bonds outstanding at June 30, 2009, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the Board's remarketing agent.

  In the event bonds cannot be remarketed, the Board has standby bond purchase agreements and a letter of credit agreement sufficient to pay the purchase price of bonds delivered to it. The Board pays quarterly fees to maintain the standby bond purchase agreements and letter of credit on the demand bonds.

  The Student Assistance Programs have an irrevocable direct-pay letter of credit expiring November 15, 2011, in the amount of $37.462 million to support the Series 1993 A bonds of $35 million. In addition, the Student Assistance Programs have a standby bond purchase agreements of $19.799 million expiring November 20, 2013 to support the Series 1988 C bonds of $19.5 million, $83.099 million expiring November 16, 2025 to support the Series 1995 L bonds of $77.454 million, $104.917 million expiring April 29, 2025 to support the Series 1996 Q and 1997 R bonds of $97.79 million, $152.946 million expiring February 11, 2024 to support the 2005 Series W and X bonds of $145.558 million. The Student Assistance Programs have in place a letter of credit expiring December 15, 2009, in the amount of $204.407 million which supports the Series 2008 A bonds of $191.5 million. The letter of credit expires within one year of June 30, 2009, as a result, the Series 2008 A bonds have been classified as a current liability.

  As of June 30, 2009, the Student Assistance Programs had drawn $334.6 million upon the liquidity facility to support certain bonds under the 1988 Series C, 1995 Series L, 1996 Series Q, 1997 Series R, 2005 Series W, and 2005 Series X which had not been remarketed. Under the terms of the liquidity facility, the interest on the bonds held in the liquidity facility are paid at the Bank Rate which is defined as the greater of the Federal Funds Rate plus 0.50 percent per annum, or the Prime Rate. The Bank Rate on the bonds increases by 1.25 percent if the bonds remain in the liquidity facility for more than 90 days. The Bank Rate for the year ended June 30, 2009 ranged between 3.25 percent and 6.25 percent. The bonds are redeemable in semi-annual installments from available funds, provided that all of the unpaid principal amount of Bank Bonds shall be redeemed by the seventh anniversary of the Bank Purchase Date. The total bonds held in the liquidity facility as of June 30, 2009 was $318.267 million.

  On December 16, 2008, the Student Assistance Programs issued $191.5 million of variable rate Series 2008A student loan revenue bonds at par. The Student Assistance Programs used $99.67 million of the proceeds to refund, in total, the variable rate 2007 Series Y student loan revenue bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.15 million. This difference reported as deferred bond issuance costs, will be amortized through the year 2042 using the straight line method. The Student Assistance Programs completed the refunding to manage its interest costs and to replace the supporting liquidity facility. The variable rate refunding issue has no stated minimum rate and a maximum rate of 12 percent per annum. The range of potential savings from the refunding will vary depending on the actual interest costs incurred over the life of the Series 2008 A bond. Based upon a minimum rate of 0 percent, the Student Assistance Programs would have no reduction in cash flow and no economic gain (i.e., the difference between the present values of the old debt and new debt service payments). At a maximum rate of 12 percent, the Student Assistance Programs could have a reduction in cash flow of $67.5 million with an economic gain of $16.1 million.

  As of June 30, 2009, there were insufficient clearing bids on all of the Student Assistance Program's 1988 Revenue Bond Fund bonds bearing interest at an adjustable rate, which is set by auction procedure every 28 or 35 days (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.2 percent or LIBOR plus 1.5 percent for such one year period. For a tax exempt bond the Maximum Auction Rate means, for any auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the After Tax Equivalent Rate plus 175 percent or the Kenny Index for such one year period absent a change in the rating on the bonds. The Maximum Auction Rate for the year ended June 30, 2009 ranged between 0 percent and 14 percent.

  As of June 30, 2009, there were insufficient clearing bids on all of the Student Assistance Program's 1993 Revenue Bond Fund bonds bearing interest at an adjustable rate, which is set by auction procedure every 28 or 35 days (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.2 percent or LIBOR plus 1.5 percent for such one year period. For a tax exempt bond the Maximum Auction Rate means, for any auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the After Tax Equivalent Rate plus 175 percent or the Kenny Index for such one year period absent a change in the rating on the bonds. The Maximum Auction Rate for the year ended June 30, 2009 ranged between 0 percent and 14.7 percent.

- The Utah Housing Corporation (component unit) had $906.24 million of bonds outstanding at June 30, 2009, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on delivery to the remarketing agent.

  In the event the variable rate bonds cannot be remarketed, the Corporation has entered into various irrevocable Standby Bond Purchase Agreements (Liquidity Facility) with seven different banks totaling $1.16 billion. These Agreements provide that these institutions will provide funds to purchase the variable rate bonds that have been tendered and not remarketed. These liquidity providers receive a fee ranging from 12.5 to 95 basis points of the outstanding amount of the variable rate bonds paid on a quarterly basis. As of June 30, 2009, none of the original commitments were available for replacement of existing liquidity facilities or to issue new variable rate bonds.

- The University of Utah (component unit) Series 1997 A bonds in the amount of $8.81 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University's tender agent. If the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable standby bond purchase agreement to pay the purchase price of the bonds delivered to it. The standby bond purchase agreement is with J.P. Morgan Chase Bank and is valid through July 30, 2010. While funds were drawn during the period, eventually all bonds were successfully remarketed and the issue was resolved by the end of October. The interest requirement for the Series 1997 A Bonds is calculated using an interest rate of 0.4 percent, which is the rate in effect as of June 30, 2009.

The University's Hospital Revenue Bonds Series 2008 in the amount of $20.64 million currently bear interest at a daily rate in accordance with the bond provisions. When a daily rate is in effect, these bonds are also subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The University's remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to this same amount plus accrued interest. If the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable letter of credit to pay the purchase price of the bonds delivered to it. This agreement is with Wells Fargo bank, N.A. and is valid through December 1, 2010 or earlier on the occurrence of certain events. No funds have been drawn against the letter of credit. The interest requirement for the bonds is calculated using an annualized interest rate of 0.25 percent which is the rate effective at June 30, 2009.

F. Defeased Bonds and Bond Refunding

In prior years, the State defeased certain general obligation and revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets. At June 30, 2009, the total amount outstanding of defeased general obligation bonds was $316.485 million. At June 30, 2009, the total amount outstanding of defeased revenue bonds was $60.425 million.

In prior years, component units defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the component unit column on the Statement of Net Assets. At June 30, 2009, $104.976 million of college and university bonds outstanding are considered defeased.

G. Contracts Payable

Component unit capital leases/contracts payable include $6.145 million in life annuity contracts.

H. Notes Payable

In March 2009, the Student Assistance Programs began participating in the U.S. Department of Education (ED) Loan Participation Purchase Program, which was created under the "Ensuring Continued Access to Student Loans Act of 2008" (Pub. L. No. 110-227). The Loan Participation Purchase Program was created to assist lenders in obtaining financing for student loans during the 2008-2009 and 2009-2010 academic years. Under the Loan Participation Purchase Program, ED may purchase a 100 percent participation interest in student loans disbursed after May 1, 2008. ED advances to the lender a line of credit equal to the principal amount of the student loan. The pledged loans are serviced internally by the Loan Participation Purchase Program and administered by a custodian. The Loan Participation Purchase Program has pledged collections from $299.349 million of participating loans to repay the line of credit from ED of $297.381 million. Monthly interest cost on the line of credit is equal to the Commercial Paper rate plus 0.50 percent. Interest is payable monthly to ED. The Loan Participation Purchase Program for the 2008-2009 academic year ended on September 30, 2009. At that time, the loans were sold to ED.

The notes payable balance consists of notes issued by component units for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 16 years. They are secured by the related assets. Payment information on notes payable is presented below.

Notes Payable Debt Service Requirements to Maturity
Component Units
For Fiscal Years Ending June 30
(Expressed in Thousands)

	Principal					
Fiscal Year	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2010	$ 949	$ 1,947	$ 2,190	$ 5,086	$ 2,293	$ 7,379
2011	949	1,938	1,180	4,067	2,055	6,122
2012	803	1,899	3,888	6,590	1,789	8,379
2013	861	1,988	522	3,371	1,456	4,827
2014	922	1,806	112	2,840	1,305	4,145
2015–2019	5,750	9,361	667	15,778	4,076	19,854
2020–2024	1,316	5,248	794	7,358	746	8,104
2025–2029	—	89	—	89	—	89
Total	$ 11,550	$ 24,276	$ 9,353	$ 45,179	$ 13,720	$ 58,899

I. **Debt Service Requirements for Derivatives**

Swap Payments and Associated Debt — As explained in Note 3.D., Utah Housing Corporation (major component unit) had entered into 76 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2009. Using rates as of June 30, 2009, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are presented below. As rates vary, variable-rate bond interest payments and net swap payments (receipts) will vary. The principal, interest and net swap interest are included in the Component Unit debt service schedule presented on page 96 for Utah Housing Corporation.

Utah Housing Corporation
Swap Payments and Associated Debt
For Fiscal Years Ending June 30
(Expressed in Thousands)

	Variable Rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 15,485	$ 17,197	$ 31,296	$ 63,978
2011	1,775	16,839	31,276	49,890
2012	1,525	16,797	31,191	49,513
2013	1,675	16,761	31,115	49,551
2014	2,445	16,721	31,023	50,189
2015–2019	40,490	82,131	151,894	274,515
2020–2024	100,145	74,445	136,763	311,353
2025–2029	168,000	60,693	110,027	338,720
2030–2034	252,495	37,501	64,946	354,942
2035–2039	183,460	11,148	17,368	211,976
2040–2044	5,695	122	101	5,918
Total	$ 773,190	$ 350,355	$ 637,000	$ 1,760,545

NOTE 11. GOVERNMENTAL FUND BALANCES AND NET ASSETS RESTRICTED BY ENABLING LEGISLATION

A. Governmental Fund Balances – Reserved and Designated

The State's reserved fund balances represent: (*1*) **Nonlapsing Appropriations** which include continuing appropriations or nonlapsing funds, encumbrances for construction contracts in the capital projects funds, and limited encumbrances in the general and special revenue funds; or (*2*) **Restricted Purposes** which include fund balances that are legally restricted for other purposes, assets restricted by bond agreements or other external restrictions, and those portions of fund balance that are not available for appropriation or expenditure, such as loans to internal service funds. A summary of the nature and purpose of these reserves by fund type at June 30, 2009, follows:

Reserved Fund Balances
(Expressed in Thousands)

	Nonlapsing Appropriations	Restricted Purposes	Total Reserved
General Fund:			
Legislature	$ 4,842	$ —	$ 4,842
Governor	13,051	1,160	14,211
Elected Officials	14,111	1	14,112
Administrative Services	1,760	7,122	8,882
Tax Commission	8,370	4,276	12,646
Human Services	8,570	6,022	14,592
Corrections	9,787	—	9,787
Public Safety	28,081	10,470	38,551
Courts	1,893	9,605	11,498
Health	11,593	10,514	22,107
Environmental Quality	1,322	4,845	6,167
Higher Education	630	—	630
Employment and Family Services	2,597	11,946	14,543
Natural Resources	17,170	34,213	51,383
Community and Culture	3,781	210	3,991
Business, Labor, and Agriculture	9,260	13,886	23,146
Industrial Assistance Account	—	29,175	29,175
Loans to Internal Service Funds	—	7,696	7,696
Tobacco Settlement Funds	—	5,309	5,309
Oil Overcharge Funds	—	1,224	1,224
Mineral Bonus Account	—	—	—
Other Purposes	1,061	9,671	10,732
Total	$ 137,879	$ 167,345	$ 305,224
Uniform School Fund:			
Minimum School Program	$ 31,905	$ —	$ 31,905
State Office of Education	14,288	757	15,045
School Building Program	—	16,322	16,322
School Land Interest	—	28,872	28,872
Growth in Student Population	—	102,088	102,088
Loans to Internal Service Funds	—	34	34
Total	$ 46,193	$ 148,073	$ 194,266
Transportation Fund:			
Transportation	$ 3,279	$ 403,109	$ 406,388
Public Safety	—	11,940	11,940
Corridor Preservation	—	23,710	23,710
Aeronautical Programs	—	5,120	5,120
Total	$ 3,279	$ 443,879	$ 447,158
Trust Lands Fund:			
Funds Held as Permanent Investments	$ 0	$ 915,831	$ 915,831

Continues Below

Reserved Fund Balances
(Expressed in Thousands)

	Nonlapsing Appropriations	Restricted Purposes	Total Reserved
Non-major Governmental Funds:			
Capital Projects	$ 221,004	$ 901	$ 221,905
Debt Service	—	5,770	5,770
State Endowment	—	79,480	79,480
Environmental Reclamation	—	19,465	19,465
Other Purposes	—	8,859	8,859
Total	$ 221,004	$ 114,475	$ 335,479

Designated Fund Balances
(Expressed in Thousands)

	General Fund	Education Fund	Uniform School Fund	Transportation Fund
Designated for:				
Budget Reserve (Rainy Day) Account	$ 188,940	$ —	$ —	$ —
Education Budget Reserve Account	—	229,960	—	—
Disaster Recovery Account	13,803	—	—	—
Postemployment and Other Liabilities	111,508	166,416	2,902	48,402
Fiscal Year 2010 Appropriations:				
Line Item Appropriations	13,216	99,800	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Total	$ 327,467	$ 496,176	$ 2,902	$ 48,402

Continues Below

	Transportation Investment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Designated for:			
Budget Reserve (Rainy Day) Account	$ —	$ —	$ 188,940
Education Budget Reserve Account	—	—	229,960
Disaster Recovery Account	—	—	13,803
Postemployment and Other Liabilities	—	—	329,228
Fiscal Year 2010 Appropriations:			
Line Item Appropriations	—	—	113,016
Debt Service	—	5,210	5,210
Total	$ —	$ 5,210	$ 880,157

B. **Net Assets Restricted by Enabling Legislation**

The State's net assets restricted by enabling legislation represent resources which a party external to a government—such as citizens, public interest groups, or the judiciary—can compel the government to use only for the purpose specified by the legislation.

The government-wide Statement of Net Assets reports $3.616 billion of restricted net assets, of which $20.125 million is restricted by enabling legislation.

NOTE 12. DEFICIT NET ASSETS AND FUND BALANCE

Funds reporting a deficit total net assets position at June 30, 2009, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ (39,624)
Petroleum Storage Tank	$ (22,481)

The deficit in the Employers' Reinsurance Trust represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Trust claims are funded from assessments on all workers' compensation insurance issued to employers within the State. The Utah Labor Commission sets the rate up to the maximum established by the Legislature to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Trust only. State law also limits the Trust's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities. Unfunded future claims are payable solely from future trust revenues.

The Petroleum Storage Tank Trust covers the clean-up costs of leaks from state-approved underground petroleum storage tanks. The assets in the fund are more than adequate to pay current claims. Unfunded future claims will be funded solely by future trust revenues.

Funds/activities reporting a deficit position in the unrestricted portion of their net assets at June 30, 2009, are (in thousands):

Internal Service Funds:	
Technology Services	$ (1,547)
General Services	$ (902)
Fleet Operations	$ (12,473)

The Internal Service Funds deficits are mainly due to the significant investment in capital assets required for these operations. The deficits will be covered by future charges for services. Management may also seek rate increases to help reduce these deficits.

The Transportation Investment Fund (major governmental fund) reported a $8.652 million deficit unreserved undesignated fund balance as a result of outstanding encumbrances on various highway projects. Bond proceeds available in the next fiscal year will fund these deficits.

In addition, the Capital Projects – General Government and State Building Ownership Authority Funds (nonmajor governmental funds) reported a $8.895 million and $4.324 million deficit unreserved undesignated fund balance, respectively, as a result of outstanding encumbrances on various capital projects. Appropriations and bond proceeds available in the next fiscal year will fund these deficits

NOTE 13. INTERFUND TRANSFERS

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital to another fund. All transfers must be legally authorized by the Legislature through statute or an *Appropriation Act*. Interfund transfers for the fiscal year ended June 30, 2009, are as follows (in thousands):

Transfers In:

	Governmental Funds					
Transfers Out:	**General Fund**	**Uniform School Fund**	**Transportation Fund**	**Transportation Investment Fund**	**Trust Lands Fund**	**Nonmajor Governmental Funds**
General Fund	$ —	$ 44,412	$ 100,912	$ 55,000	$ 34	$ 220,767
Education Fund	237,676	2,181,640	—	—	—	72,432
Uniform School Fund	55,265	—	—	—	—	—
Transportation Fund	46,033	—	—	76,977	—	26,044
Transportation Investment Fund	—	—	87,569	—	—	135,227
Nonmajor Governmental Funds	143,049	—	—	—	—	409
Unemployment Compensation	227	—	—	—	—	—
Water Loan Programs	32,992	—	—	—	—	—
Nonmajor Enterprise Funds	63,267	1,936	—	—	14,537	—
Internal Service Funds	8,629	—	1,500	—	—	—
Total Transfers In	$ 587,138	$ 2,227,988	$ 189,981	$ 131,977	$ 14,571	$ 454,879

Continues Below

Transfers In:

	Enterprise Funds			
Transfers Out:	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers Out**
General Fund	$ 8,890	$ 61,615	$ 247	$ 491,877
Education Fund	—	—	—	2,491,748
Uniform School Fund	—	—	—	55,265
Transportation Fund	—	1,000	—	150,054
Transportation Investment Fund	—	—	—	222,796
Nonmajor Governmental Funds	—	2,524	37	146,019
Unemployment Compensation	—	—	—	227
Water Loan Programs	—	—	—	32,992
Nonmajor Enterprise Funds	—	—	23	79,763
Internal Service Funds	—	—	17	10,146
Total Transfers In	$ 8,890	$ 65,139	$ 324	$ 3,680,887

Transfers from major governmental funds to nonmajor governmental funds are primarily for capital facility construction and debt service expenditures. Transfers from the General Fund to nonmajor enterprise funds are primarily mineral lease royalties used to make loans and grants to local governments through the Community Impact Loan Fund. Transfers from nonmajor enterprise funds to the General Fund are mostly liquor profits from the Alcoholic Beverage Control Fund that are required by statute to be deposited in the General Fund. All other transfers are made to finance various programs as authorized by the Legislature.

During fiscal year 2009, the Legislature authorized transfers of $8.629 million from the Internal Service Funds to the General Fund to subsidize general fund revenues. In addition, the Legislature authorized payments of $751.866 million to the Colleges and Universities. Payments to the Colleges and Universities are reported as expenditures in both the General Fund fund statements and the Governmental Activities column of the Statement of Activities. They are also reported as revenues in the Component Units column of the Statement of Activities.

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.

- Members of the Navajo Nation allege the State of Utah has mismanaged Navajo Nation Trust Fund monies. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts and disbursements, and damages of $142 million including interest and attorneys' fees. Although progress has been made toward a settlement, no agreement has been reached.

- A lawsuit was filed by the Tobacco Companies against the settling states participating in a master settlement agreement in an effort to recoup tobacco settlement payments made in prior years. The plaintiffs allege that they are entitled to a non-participating manufacturer adjustment that will allow them to take a credit against these payment obligations. The dispute is currently subject to arbitration. It is impossible to determine the potential liability; however, any settlement will be a reduction in future state tobacco receipts.

- In addition to the items above, the State is contesting other legal actions totaling over $31.097 million plus attorneys' fees and interest and other cases where the amount of potential loss is undeterminable. Some portions of the amounts sought have been paid by the State or placed in escrow.

B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, the allowability of $1.561 million of federal expenditures is in question. These costs will be contested with the federal agency involved, and management estimates the liability to be less than the questioned amounts. In addition, program compliance audits by the federal government are conducted periodically; however, an estimate of any potential disallowances on these audits and findings on other audits on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2009, is in process.

- Management's estimated liability for the Petroleum Storage Tank Trust (private purpose trust fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.

- The State is self-insured for liability claims up to $1 million and beyond the excess insurance policy limit of $10 million. The State is self-insured for individual property and casualty claims up to $1 million and up to $3.5 million in aggregate claims and beyond the excess insurance policy limit of $700 million per occurrence. According to an actuarial study and other known factors, $43.650 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Department of Administrative Services' Risk Management Fund (internal service fund).

- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953*, as amended, Sections 53A–28–101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guarantied Bonds.

  In the event a school board is unable to make the scheduled debt service payments on its Guarantied Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available monies, may use short-term borrowing from the State Permanent School Fund (part of the permanent Trust Lands Fund), or may issue short-term general obligation notes. The local school board remains liable to the State for any such payments on Guarantied Bonds. Reimbursements to the State may be obtained by intercepting payment of state funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

  The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due. The State does not expect that it will be required to advance monies for the payment of debt service on Guarantied Bonds for any significant period of time.

  Local school boards have $2.5 billion principal amount of Guarantied Bonds outstanding at June 30, 2009. The State cannot predict the amount of bonds that may be guarantied in future years, but no limitation is currently imposed by the Guaranty Act.

- The Attorney General of the State sued the tobacco industry for medical costs related to smoking. The State of Utah has signed on to a master settlement agreement along with 45 other states. The major tobacco manufacturers and most of the smaller manufacturers have joined the agreement. The State received $45.25 million from tobacco companies in fiscal year 2009 and expects to receive approximately $45.721 million in fiscal year 2010. Annual payments will be adjusted for factors such as inflation, decreased sales volume, previously settled law suits, disputed payments, and legal fees.

C. **Commitments**

- At June 30, 2009, the Industrial Assistance Program of the General Fund had grant commitments of $6.552 million, contingent on participating companies meeting certain performance criteria.

- Utah Retirement Systems (defined benefit pension plans and defined contribution plans) has at its yearend December 31, 2008, committed to fund certain private equity partnerships and real estate projects for an amount of $6.004 billion. Funding of $3.683 billion has been provided, leaving an unfunded commitment of $2.321 billion as of December 31, 2008, which will be funded over the next five years.

- As of June 30, 2009, the Utah Housing Corporation (major component unit) has committed to purchase mortgages under the warehouse loans and the Single-Family Mortgage Purchase Program in the amount of $11.474 million. The Corporation has three Revolving Credit Notes with two Utah industrial banks.

  The first Revolving Credit Note, in the amount of $5 million matures on October 30, 2010. At June 30, 2009, the outstanding balance on this Revolving Credit Note was $2.098 million. The Revolving Credit Note bears interest at a calculated LIBOR rate advance or base rate advance. The Revolving Credit Note balance consists of two separate loans. The first loan is dated June 26, 2008 for $450 thousand with an interest rate of 1.31 percent at June 30, 2009. The second loan is dated November 24, 2008 for $1.648 million with an interest rate of 2.17 percent at June 30, 2009. These two loans are due during the year ended June 30, 2010.

  The second Revolving Credit Note, in the amount of $3 million, matures on March 24, 2011. At June 30, 2009, the outstanding balance on this Revolving Credit Note was $1.4 million. The Revolving Credit Note bears interest at a calculated LIBOR rate advance with a minimum rate of 5.25 percent. The Revolving Credit Note balance consists of two separate loans. The first loan is dated March 26, 2009 for $900 thousand with an interest rate of 6.25 percent at June 30, 2009. The second loan is dated April 1, 2009 for $500 thousand with an interest rate of 6.25 percent at June 30, 2009. These two loans are due during the year ended June 30, 2010.

  The third Revolving Credit Note, in the amount of $2 million, matures on March 24, 2011 and has no outstanding balance as of June 30, 2009.

- At June 30, 2009, the enterprise funds had loan commitments of approximately $338.855 million and grant commitments of approximately $44.439 million.

- At June 30, 2009, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Programs, major enterprise fund) had guaranteed student loans outstanding with an original principal amount of approximately $2.608 billion. Also, at June 30, 2009, the Student Assistance Programs had commitments to purchase approximately $173.315 million in student loans and fund undisbursed loans of $13.024 million.

- At June 30, 2009, the Permanent Trust Lands Fund (permanent fund) had real estate commitments of $100 million, of which $61.457 million have been called, leaving a remaining commitment of $38.543 million.

- At June 30, 2009, the Utah Department of Transportation had construction and other contract commitments of $1.233 billion, of which $181.9 million is for Centennial Highway Projects within the Transportation Investment Fund (special revenue fund) and $1.051 billion is for Transportation Fund (special revenue fund) projects. These commitments will be funded with bonded debt and future appropriations.

- Under the terms of various limited partnership agreements approved by the Board of Trustees or by the University of Utah (major component unit) officers, the University is obligated to make periodic payments for advance commitments to venture capital and private equity investments. As of June 30, 2009, the University had committed, but not paid, a total of $19.324 million in funding for these alternative investments.

  Under the terms of various limited partnership agreements approved by the Board of Trustees or by the Utah State University (major component unit) officers, the University is obligated to make periodic payments for advance commitments to venture capital, natural resource, and private equity investments. As of June 30, 2009, the University had committed, but not paid, a total of $2.447 million in funding for these alternative investments.

NOTE 15. JOINT VENTURE

The Utah Communications Agency Network (UCAN) was created by the State Legislature in 1997 as an independent agency. Its purpose is to provide public safety communications services and facilities on a regional or statewide basis.

UCAN's governing board consists of ten representatives elected by the board, and five state representatives of which four are appointed by the Governor. The State has contracted to purchase communication services from UCAN to meet the needs of law enforcement officers in the Departments of Public Safety, Corrections, Natural Resources, and other smaller state agencies.

In fiscal year 1998 the State provided startup capital of $185 thousand. UCAN also may receive legal counsel from the Attorney General's Office at no cost. Contracts with state agencies are estimated to provide over 30 percent of UCAN's operating revenues.

UCAN had $6.47 million of revenue bonds outstanding at June 30, 2009. UCAN's debt is not a legal obligation of the State; however, if UCAN cannot meet its debt service requirements, state law allows the Governor to request an appropriation to restore the debt service reserve fund to its required level or to meet any principal or interest payment deficiency. The Legislature is not required to make any such appropriation, but if made, UCAN must repay the State within 18 months. To date, UCAN has never requested any such funding from the State and has had sufficient resources to cover its debt service and debt service reserve requirements.

The Office of the Utah State Auditor audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the Office of the Utah State Auditor.

NOTE 16. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

A. Utah Retirement Systems

Utah Retirement Systems (URS) was established by Section 49 of *Utah Code Annotated, 1953*, as amended. URS administers the pension systems and plans under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the Governor. URS has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans it administers. URS maintains records and prepares separately issued financial statements using fund accounting principles and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. URS reports on a calendar yearend. The December 31, 2008, financial report has been included in this Comprehensive Annual Financial Report as a pension trust fund for the Utah Retirement Systems (URS) within the fiduciary funds. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The URS operations are comprised of the following groups of systems and plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Firefighters Retirement System (Firefighters System), which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;

- The Public Safety Retirement System (Public Safety System), which is a defined-benefit mixed agent and cost-sharing, multiple-employer retirement system;

- The Judges Retirement System (Judges System) and the Utah Governors and Legislative Retirement Plan, which are single-employer service employee retirement systems; and five defined contribution plans comprised of the 401(k) Plan, 457 Plan, Roth and Traditional IRA Plans, and Health Reimbursement Arrangement.

Retirement benefits are specified by Section 49 of *Utah Code Annotated, 1953*, as amended. The retirement systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the systems is provided in the following table:

(*Table on next page*.)

Summary of Eligibility and Benefits

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years		Highest 2 Years
Years of Service Required and/or Age Eligible for Benefit	30 years any age ***20 years age 60 ***10 years age 62 4 years age 65	30 years any age ***25 years any age ***20 years age 60 ***10 years age 62 4 years age 65	20 years any age 10 years age 60 4 years age 65		25 years any age ***20 years age 55 10 years age 62 6 years age 70
Benefit Percent per Year of Service	1.25% to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years Benefit cannot exceed 70% of final average salary		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years Benefit cannot exceed 75% of final average salary

***With actuarial reductions

Former governors at age 65 receive $1,200 per month per term. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of $26.40 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the systems may leave their retirement account intact for future benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some systems are also augmented by fees or insurance premium taxes. Below is a summary of system participants.

Participants
December 31, 2008

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Retirement Plan
Number of participating:						
Employers	416	158	128	52	1	1
Members:						
Active	93,576	2,743	7,894	1,849	106	93
Terminated vested	30,360	1,374	1,654	117	9	81
Retirees and beneficiaries:						
Service benefits	31,731	5,236	3,752	1,002	97	222
Disability benefits	—	3	14	81	—	—

Employer contribution rates consist of (***1***) an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current year) and (***2***) an amount for amortization of the unfunded, or excess funded actuarial accrued liability over an open 20 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value and the same actuarial assumptions used to calculate the actuarial accrued liability.

The following table presents the State of Utah's actuarially determined employer contributions required and paid to URS. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Retirement Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years.

State of Utah's Employer Contributions
Required and Paid
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Total All Systems
Primary Government:						
2009	$ 3,692	$ 106,881	$ 33,711	$ 76	$ 1,980	$ 146,340
2008	$ 3,792	$ 101,591	$ 29,261	$ 75	$ 1,737	$ 136,456
2007	$ 3,874	$ 94,384	$ 27,208	$ 59	$ 1,238	$ 126,763
2006	$ 4,197	$ 87,445	$ 22,701	$ 49	$ 1,007	$ 115,399
2005	$ 4,335	$ 80,966	$ 21,112	$ 52	$ 814	$ 107,279
Component Units:						
Colleges and Universities:						
2009	$ 2,133	$ 42,026	$ 596	$ —	$ —	$ 44,755
2008	$ 2,160	$ 40,781	$ 498	$ —	$ —	$ 43,439
2007	$ 2,200	$ 39,016	$ 488	$ —	$ —	$ 41,704
2006	$ 2,117	$ 37,813	$ 425	$ —	$ —	$ 40,355
2005	$ 2,201	$ 35,195	$ 422	$ —	$ —	$ 37,818
Other:						
2009	$ 70	$ 3,483	$ —	$ —	$ —	$ 3,553
2008	$ 76	$ 2,938	$ —	$ —	$ —	$ 3,014
2007	$ 78	$ 2,722	$ —	$ —	$ —	$ 2,800
2006	$ 60	$ 2,385	$ —	$ —	$ —	$ 2,445
2005	$ 59	$ 2,273	$ —	$ —	$ —	$ 2,332
Total Primary Government and Component Units:						
2009	$ 5,895	$ 152,390	$ 34,307	$ 76	$ 1,980	$ 194,648
2008	$ 6,028	$ 145,310	$ 29,759	$ 75	$ 1,737	$ 182,909
2007	$ 6,152	$ 136,122	$ 27,696	$ 59	$ 1,238	$ 171,267
2006	$ 6,374	$ 127,643	$ 23,126	$ 49	$ 1,007	$ 158,199
2005	$ 6,595	$ 118,434	$ 21,534	$ 52	$ 814	$ 147,429

(*Continues on next page*.)

The following table summarizes contribution rates in effect at December 31, 2008:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00 %	7.61 % – 9.73 %	—
Noncontributory	—	11.62 % – 14.22 %	—
Public Safety:			
Contributory	10.50 % – 13.74 %	11.22 % – 22.99 %	—
Noncontributory	—	22.47 % – 35.71 %	—
Firefighters:			
Division A	13.14 %	—	11.12 %
Division B	9.68 %	—	11.12 %
Judges:			
Contributory	2.00 %	11.51 %	14.32 %
Noncontributory	—	13.51 %	14.32 %
Governors and Legislative	—	—	—

Defined Contribution Plans

The 401(k), 457, Roth and Traditional IRA Plans, and Health Reimbursement Arrangement (HRA) administered by URS, in which the State participates, are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of the retirement systems. Contributions may be made into the plans subject to plan and Internal Revenue Code limitations. Employer contributions may be made into the plans at rates determined by the employers and according to Utah Title 49. There are 361 employers participating in the 401(k) Plan and 150 employers participating in the 457 Plan. There are 143,360 plan participants in the 401(k) Plan, 16,880 participants in the 457 Plan, 1,639 participants in the Roth IRA Plan, 435 participants in the Traditional IRA Plan, and 742 in the HRA.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances and plan provisions. The defined contribution plans account balances are fully vested to the participants at the time of deposit. Investments of the plans are reported at fair value.

Employees of the State are eligible to participate in the deferred compensation 401(k), 457, Roth and Traditional IRA Plans. For the 401(k) plan, the State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 2009, by employees and employers are as follows: for Primary Government, $37.179 million and $18.627 million; for Component Units – Colleges and Universities, $4.629 million and $4.846 million; for Component Units – Other, $1.154 million and $814 thousand; and the combined total for all is $42.962 million and $24.287 million, respectively. The amounts contributed by employees to the 457, Roth and Traditional IRA Plans (Primary Government) are $7.283 million, $907 thousand, and $28 thousand, respectively.

Pension Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate debt securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis, which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors have determined the fair value for the individual investments. Approximately 15 percent of the net assets held in trust for the pension benefits are invested in debt securities of the U.S. Government and its instrumentalities. Of the 15 percent, approximately 2 percent are U.S. Government debt securities and 13 percent are debt securities of the U.S. Government instrumentalities. The systems and plans have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the net assets held in trust for pension benefits. The principal components of the receivables and investment categories are presented below.

(*Continues on next page*.)

Pension Receivables and Investments
(Expressed in Thousands)

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Retirement Plan
Receivables:						
Member Contributions	$ —	$ 388	$ 49	$ 421	$ —	$ —
Employer Contributions	31,538	572	3,495	—	—	—
Court Fees and Fire Insurance Premium	—	—	—	—	230	—
Investments	302,084	19,874	38,360	14,583	2,398	207
Total Receivables	$ 333,622	$ 20,834	$ 41,904	$ 15,004	$ 2,628	$ 207
Investments:						
Debt Securities	$ 3,663,014	$ 240,990	$ 465,138	$ 176,835	$ 29,074	$ 2,505
Equity Investments	4,096,910	269,536	520,235	197,781	32,518	2,802
Absolute Return	1,678,417	110,423	213,129	81,027	13,322	1,148
Private Equity	1,154,125	75,930	146,553	55,717	9,160	789
Real Estate	2,624,738	172,682	333,297	126,711	20,833	1,795
Mortgage Loans	5,478	361	694	265	43	4
Invested Securities Lending Collateral	884,518	58,192	112,318	42,701	7,020	605
Investment Contracts	—	—	—	—	—	—
Total Investments	$ 14,107,200	$ 928,114	$ 1,791,364	$ 681,037	$ 111,970	$ 9,648

Continues Below

	401(k) Plan	457 Plan	IRA Plans	Health Reimbursement Arrangement	Total December 31, 2008
Receivables:					
Member Contributions	$ —	$ —	$ —	$ —	$ 858
Employer Contributions	—	—	—	—	35,605
Court Fees and Fire Insurance Premium	—	—	—	—	230
Investments	53,905	4,140	—	—	435,551
Total Receivables	$ 53,905	$ 4,140	$ —	$ —	$ 472,244
Investments:					
Debt Securities	$ 1,111,824	$ 114,803	$ 16,186	$ —	$ 5,820,369
Equity Investments	941,100	98,722	10,148	—	6,169,752
Absolute Return	—	—	—	—	2,097,466
Private Equity	—	—	—	—	1,442,274
Real Estate	—	—	—	—	3,280,056
Mortgage Loans	—	—	—	—	6,845
Invested Securities Lending Collateral	78,336	8,191	952	—	1,192,833
Investment Contracts	27,154	12,066	—	—	39,220
Total Investments	$ 2,158,414	$ 233,782	$ 27,286	$ —	$ 20,048,815

Actuarial Methods and Assumptions

The information contained in the Schedules of Funding Progress is based on the actuarial study dated January 1, 2008, and calendar year 2008 activity. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems for the last ten years in their separately presented financial reports based on the report generated by the latest actuarial study, conducted by Gabriel, Roeder, Smith & Company. Beginning with the 2008 actuarial study, the investment rate of return assumption was changed from 8 percent to 7.75 percent. The actuarial value of assets is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected rate on fair value is smoothed over a five-year period with 20 percent of ayear's excess or shortfall being recognized each year, beginning with the current year. All systems use the entry age actuarial cost method and the level percent of payroll amortization method. The remaining amortization period for all systems is open group, 20 years, open period. An inflation rate of 3.0 percent is used for all systems. Post-retirement cost of living adjustments are non-compounding and are based on the original benefit. The adjustments are also limited to the actual CPI increase for the year with any unusual CPI increase not met carried forward to subsequent years. Below are the Schedules of Funding Progress.

Schedules of Funding Progress
By Valuation Date
(Expressed in Thousands)

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Retirement Plan
Actuarial Value of Assets:						
January 1, 2007	$ 1,004,452	$ 14,446,928	$ 1,809,198	$ 705,051	$ 116,879	$ 10,983
January 1, 2008	$ 1,102,107	$ 16,199,077	$ 2,038,613	$ 787,663	$ 129,847	$ 11,736
December 31, 2008	$ 1,002,443	$ 15,257,243	$ 1,936,871	$ 735,235	$ 121,075	$ 10,407
Actuarial Accrued Liability (AAL):						
January 1, 2007	$ 1,062,967	$ 15,084,061	$ 1,968,982	$ 643,765	$ 117,127	$ 9,212
January 1, 2008	$ 1,170,251	$ 17,025,185	$ 2,247,826	$ 732,829	$ 135,379	$ 9,862
December 31, 2008	$ 1,208,625	$ 18,127,048	$ 2,406,752	$ 779,035	$ 143,368	$ 9,845
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 2007	$ 58,515	$ 637,133	$ 159,784	$ (61,286)	$ 248	$ (1,771)
January 1, 2008	$ 68,144	$ 826,108	$ 209,213	$ (54,834)	$ 5,532	$ (1,874)
December 31, 2008	$ 206,182	$ 2,869,805	$ 469,881	$ 43,800	$ 22,293	$ (562)
Funding Ratios:						
January 1, 2007	94.5 %	95.8 %	91.9 %	109.5 %	99.8 %	119.2 %
January 1, 2008	94.2 %	95.1 %	90.7 %	107.5 %	95.9 %	119.0 %
December 31, 2008	82.9 %	84.2 %	80.5 %	94.4 %	84.5 %	105.7 %
Annual Covered Payroll:						
January 1, 2007	$ 133,812	$ 3,326,392	$ 316,662	$ 88,682	$ 12,195	$ 860
January 1, 2008	$ 132,899	$ 3,582,495	$ 339,187	$ 95,767	$ 13,322	$ 947
December 31, 2008	$ 133,110	$ 3,871,636	$ 365,043	$ 102,252	$ 14,404	$ 910
UAAL as a Percent of Covered Payroll:						
January 1, 2007	43.7 %	19.2 %	50.5 %	(69.1)%	2.0 %	(205.9)%
January 1, 2008	51.3 %	23.1 %	61.7 %	(57.3)%	41.5 %	(197.9)%
December 31, 2008	154.9 %	74.1 %	128.7 %	42.8 %	154.8 %	(61.8)%

B. **Teachers Insurance and Annuity Association–College Retirement Equities Fund**

Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA–CREF), privately administered defined-contribution retirement plans, provides individual retirement fund contracts for each eligible participating employee. Eligible employees are mainly state college/university faculty and staff. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. The State has no further liability once annual contributions are made.

The total contribution made by the college and university (component units) to the TIAA–CREF retirement system for June 30, 2009 and 2008, were $115.986 million and $108.887 million, respectively.

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

A. **State's Other Postemployment Benefit Plan**

At the option of individual state agencies, employees may participate in the State's Other Postemployment Benefit Plan (State Employees' OPEB Plan), a single-employer defined benefit healthcare plan, as set forth in Section 67–19–14(2) of the *Utah Code*. The State administers the Employee OPEB Plan through the State Post-Retirement Benefits Trust Fund, an irrevocable trust, as set forth in Section 67–19d–201 of the *Utah Code*. The trust fund is under the direction of a board of trustees, which consists of the State Treasurer, the Director of the Division of Finance, and the Director of the Governor's Office of Planning and Budget.

Plan assets of the State Post-Retirement Benefits Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment health and life insurance coverage, and in some situations dental coverage to current and eligible future state retirees in accordance with the terms of the plan. The State Post-Retirement Benefits Trust Fund does not issue a publicly available financial report, but is included in this report of the primary government using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors have determined the fair values for the individual investments.

Only state employees entitled to receive retirement benefits and hired prior to January 1, 2006, are eligible to receive postemployment health and life insurance benefits from the OPEB Plan. Upon retirement, an employee receives 25 percent of the value of their unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. The employee may exchange one day of remaining unused accumulated sick leave earned *prior* to January 1, 2006, for one month of paid health and life insurance coverage up to age 65. Regardless of the unused sick leave balance, the State will provide postemployment health and life insurance coverage for up to five years (if the employee retired in 2006) or until the employee reaches age 65. This automatic coverage provision will decline by one year each calendar year until it is completely phased out on January 1, 2011. After age 65, the employee may use any remaining unused accumulated sick leave, earned *prior* to January 1, 2006, to exchange for spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of December 31, 2008, the date of the latest actuarial valuation, approximately 4,888 retirees and their beneficiaries were receiving state post-retirement health and life insurance benefits, and an estimated 20,385 active state employees are eligible to receive future benefits under the State Employee OPEB Plan.

The contribution requirements of employees and the State are established and may be amended by the State Legislature. For retirees that participate in the State Employee OPEB Plan, health insurance premiums are paid 100 percent by the State for individuals that retired before July 1, 2000. Individuals retiring thereafter are required to contribute specified amounts monthly, ranging from 2 percent to 27 percent, toward the cost of health insurance premiums. For the year ended June 30, 2009, retirees contributed $1.269 million, or approximately 4.4 percent of total premiums, through their required contributions of $7.76 to $491.31 per month depending on the coverage (single, double, or family) and health plan selected.

The State Legislature currently plans to contribute amounts to the trust fund sufficient to fully fund the Annual Required Contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC of $53.491 million, from the December 31, 2006 actuarial valuation and used to establish the annual budget for fiscal year 2009, is 7.2 percent of annual covered payroll. There are no long-term contracts for contributions to the plan.

B. **Elected Officials' Other Postemployment Benefit Plan**

The State of Utah also administers the Elected Officials' Other Postemployment Benefit Plan (Elected Officials' OPEB Plan), a single-employer defined benefit healthcare plan, as set forth in Section 49-20-404 of the *Utah Code.* The Elected Officials' OPEB Plan does not issue a publicly available financial report.

Only governors and legislators (elected officials) that retire after January 1, 1998 and have 4 or more years of service can elect to receive and apply for this benefit. To qualify for health coverage, elected officials must be between 62 and 65 years of age and either be active members at the time of retirement or have continued coverage with the program until the date of eligibility. To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. As established by 49-20-404(3) of the *Utah Code*, the State will pay 40 percent of the benefit cost for 4 years of service and up to 100 percent for ten or more years of service, for elected officials, and their spouses.

For the year ended June 30, 2009, the State paid the expected benefit payments of $252 thousand on a pay-as-you-go basis. Retirees that participate in the Elected Officials' OPEB Plan are required to contribute specified amounts monthly, ranging from $0 (for ten or more years of service) to $545.22 per month (for four years of service) depending on the coverage (single, double) and health plan selected.

The following table shows the components of the annual OPEB cost for the year, amount actually contributed to the plan, and changes in the net OPEB obligation for both the State Employees' and Elected Officials' OPEB plans for fiscal year 2009 (dollar amount in thousands):

	State Employees' OPEB Plan	Elected Officials' OPEB Plan
Annual required contribution	$ 53,491	$ 2,188
Interest on net OPEB obligation	—	80
Adjustment to annual required contribution	—	(107)
Annual OPEB cost (expense)	53,491	2,161
Contributions made	(53,491)	(252)
Increase in net OPEB obligation	0	1,909
Net OPEB obligation (asset) – Beginning of year	(0)	2,009
Net OPEB obligation – End of year	$ 0	$ 3,918

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2009 and the preceding years for both the State Employees' and Elected Officials' OPEB plans were as follows (dollar amount in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees' OPEB Plan:	6/30/2007	$ 50,433	101.37 %	$ (691)
	6/30/2008	$ 53,502	98.71 %	$ 0
	6/30/2009	$ 53,491	100.00 %	$ 0
Elected Officials' OPEB Plan:	6/30/2008	$ 2,188	8.19 %	$ 2,009
	6/30/2009	$ 2,161	11.66 %	$ 3,918

The funded status of both the State Employees' and Elected Officials' OPEB plans as of December 31, 2008, was as follows (dollar amount in thousands):

	State Employees' OPEB Plan	Elected Officials' OPEB Plan
Actuarial accrued liability	$ 446,601	$ 24,515
Actuarial value of plan assets	53,851	0
Unfunded actuarial accrued liability (funding excess)	$ 392,750	$ 24,515
Funded ratio	12.1 %	0.0 %
Covered payroll	$ 901,245	$ 866
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	43.6 %	2,830.8 %

(Notes continues on next page)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and assumptions of both the State Employees' and Elected Officials' OPEB plans as of December 31, 2008, were as follows:

	State Employees' OPEB Plan	Elected Officials' OPEB Plan
Actuarial valuation date	12/31/2008	12/31/2008
Actuarial cost method	Projected Unit Credit	
Amortization method	Level Dollar Amount; Open	
Remaining amortization period	25 years	30 years
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions:		
Investment rate of return	6 % discounted	4 % discounted
Healthcare inflation rate	10 % initial 4.5 % ultimate	

NOTE 18. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management (internal service fund) and the Public Employees Health Program (component unit). The State is a major participant in these programs. The Risk Management Fund manages the general property, auto/physical damage, and liability risk of the State. The Public Employees Health Program manages the health insurance and long-term disability programs of the State. The University of Utah, Utah State University, Southern Utah University, Salt Lake Community College, and Utah Valley University (component units) each maintain self-insurance funds to manage health care. The University of Utah also maintains a self-insurance fund to manage medical malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverage for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, auto/physical damage, group medical and dental, disability, and some environmental claims. They also service the general risk claims for all local school districts and many charter schools within the State. All funds, agencies, public schools, and public authorities of the State may participate in the State's Risk Management and Public Employees Health Programs. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The reserve for liability losses is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Public Employees Health Program claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. The Risk Management claim liabilities reserves are reported using a discount rate of 3 percent. The Public Employees Health Program long-term disability benefit reserves are reported using discount rates between 4.25 and 7.75 percent. The primary government and the discrete component units of the State paid premiums to the Public Employees Health Program of $252.314 million and $15.795 million, respectively, for health and life insurance coverage in fiscal year 2009. In addition, the State Department of Health paid $44.912 million in premiums to the Public Employees Health Program for the Children's Health Insurance Program.

All employers who participate in the Utah Retirement Systems are eligible to participate in the Public Employees Long-term Disability Program per Section 49–21–201 of the *Utah Code*. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three-month waiting period and are paid 100 percent by the program. As of June 30, 2009, there are 302 state employees receiving benefits. The program is funded by paying premiums to the Public Employees Health Program (component unit), where assets are set aside for future payments. For the fiscal year ended June 30, 2009, the primary government and the discrete component units of the State paid premiums of $5.556 million and $150 thousand, respectively, for the Long-Term Disability Program.

The State covers its workers' compensation risk by purchasing insurance from Workers' Compensation Fund (a related organization). The University of Utah, Utah State University, Southern Utah University, Salt Lake Community College, and Utah Valley University report claims liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University of Utah Hospital and Clinics have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by their respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below. The following table presents the changes in claims liabilities balances (short and long-term combined) during fiscal years ended June 30, 2008 and June 30, 2009:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2008	$ 44,755	$ 8,123	$ (11,593)	$ 41,285
2009	$ 41,285	$ 11,980	$ (9,615)	$ 43,650
Public Employees Health Program:				
2008	$ 121,129	$ 556,909	$(556,222)	$ 121,816
2009	$ 121,816	$ 558,493	$(560,990)	$ 119,319
College and University Self-Insurance:				
2008	$ 71,731	$ 203,846	$(200,378)	$ 75,199
2009	$ 75,199	$ 205,565	$(227,861)	$ 52,903

NOTE 19. SUBSEQUENT EVENTS

On September 29, 2009, the State issued $490.41 million and $491.76 million of General Obligation Bonds Series 2009 C and 2009 D, respectively. Principal on the bonds is due annually commencing July 1, 2011, through July 1, 2021. Interest rates on the bonds range from 2.00 to 5.00 percent, with a "true interest rate" of 2.72 percent after considering premium received upon the sale of the bonds. Proceeds of the bonds will be used for capital facilities and highway projects.

On September 9, 2009, the Utah State Building Ownership Authority (blended component unit) issued $8.445 million, $16.715 million, $12.125 million, and $89.47 million of Lease Revenue Bonds Series 2009 B, 2009 C, 2009 D, and 2009 E, respectively. Principal on the bonds is due annually commencing May 15, 2012 through 2030. Interest rates on the bonds range from 3.00 to 5.77 percent with a "true interest rate" of 3.64 percent after considering premium received upon the sale of the bonds. Proceeds of the bonds will be used for capital facilities projects.

Subsequent to June 30, 2009, the Student Loan Purchase Program (major enterprise Fund) entered into a $200 million revolving line of credit. The line of credit will be used as a short term financing vehicle to originate or purchase eligible student loans. The initial term is for 364 days with an option to renew for an additional 364 days. The interest rate is 125 basis points (.0125 percent) over the 30 day London Interbank Offered Rate (LIBOR) with a minimum rate of not less than 1.75 percent.

Subsequent to June 30, 2009, the Student Loan Purchase Program (major enterprise fund) sold eligible student loans to the U.S. Department of Education (ED) under a Master Loan Sales

Agreement as authorized by the "Ensuring Continued Access to Student Loans Act of 2008" (Pub. L. No. 110-227). Under the agreement the Program may sell student loans to ED for a purchase price equal to the principle and accrued interest, reimbursement of the 1 percent lender origination fee, and payment of a $75 administrative fee per loan. At the date of sale, the ownership and servicing of the loans transfers to ED. On September 23, 2009, the Program sold loans to ED with a principal and accrued interest balance of $429.596 million.

Subsequent to June 30, 2009, certain bonds with the Student Loan Purchase Program's (major enterprise fund) 1988 Revenue Bond Fund were remarketed to investors or tendered to the liquidity provider. As of October 26, 2009, total bonds from the 1988 Revenue Bond Fund held in the liquidity facility amounted to $338.787 million.

The defined benefit pension plans and defined contribution plans (fiduciary funds) administered by Utah Retirement Systems are reported as of December 31, 2008. Subsequent to this date, the overall financial markets have continued to fluctuate in value. However, because the values continue to fluctuate with market conditions the amount of investment losses the plans will recognize in its future financial statements, if any, can not be determined as of the date of this report.

Subsequent to June 30, 2009, the Utah Housing Corporation (major component unit) issued $83.995 million Single Family Mortgage Class I Refunding Bonds, 2009 Series A Variable Bonds, interest at a variable rate adjusted weekly maturing on July 1, 2038 and $5.68 million Single Family Mortgage Class I Refunding Bonds, 2009 Series A Fixed Rate Bonds maturing in annual installments from July 1, 2010 through July 1, 2019 with interest rates of 1.4 percent to 4.45 percent. The Corporation also issued $72.455 million Single Family Mortgage Class I Refunding Bonds, 2009 Series B Variable Bonds, interest at a variable rate adjusted weekly maturing on January 1, 2039 and $2.005 million Single Family Mortgage Class I Refunding Bonds, 2009 Series B Fixed Rate Bonds maturing in annual installments from July 1, 2010 through July 1, 2019 with interest rates of 1.4 percent to 4.45 percent.

Subsequent to June 30, 2009, the Utah Housing Corporation (major component unit) has entered into an additional Standby Bond Purchase Agreement with Barclays Capital PLC at a commitment amount of $156 million.

Subsequent to June 30, 2009 the Utah Housing Corporation (major component unit) commenced the Home Run 2 Grant, a mortgage assistance program that grants $4 thousand to qualifying homebuyers. Federal funds under the American Recovery and Reinvestment Act were used to provide $8 million for this program.

On October 6, 2009, Utah State University's (major component unit) $8.13 million Series 2009 Student Fee and Housing System Revenue Bonds were issued for the purpose of refunding in advance of their maturity the Series 1999A Student Fee and Housing System Revenue Refunding Bonds that were previously issued.

On August 26, 2009, the University of Utah (major component unit) issued $19.08 million of Research Facilities Revenue Bonds, Series 2009A and $27.73 million Taxable Research Facilities Revenue Bonds, Series 2009B (Issuer Subsidy – Build America Bonds). Principle on the Series 2009A bonds is due annually commencing April 1, 2010 through April 1, 2019 and principle on the Series 2009B bonds is due annually commencing April 1, 2020 through April 1, 2029. Bond interest is due semiannually commencing April 1, 2010 at rates ranging from 4 percent to 6.28 percent. Each interest payment on the Series 2009B bonds will receive a subsidy from the Federal Government with funds provided by the American Recovery and Reinvestment Act totaling $9.05 million over the life of the bonds. Proceeds from these bonds will be used to finance certain infrastructure improvements including a central chilled water plant. The infrastructure improvements are necessary for planned construction for interdisciplinary research, clinical operations and improving inefficient cooling systems in some existing buildings.

On September 1, 2009, the University of Utah (major component unit) entered into a sublease agreement for Phase II-B of the Huntsman Cancer Hospital which requires semi-annual lease payments beginning May 2010 through May 2030. Fiscal year payments range from $2.6 million in fiscal year 2010 to $12.4 million in fiscal year 2030. Total lease payments over the life of the lease amount to $158.9 million.

During the 2009 Legislative General Session, House Bill 15 transferred the Salt Lake portion of the Salt Lake/Tooele Applied Technology College (non-major component unit) to Salt Lake Community College's (non-major component unit) School of Applied Technology. The legislation also created a new campus of the Utah College of Applied Technology specifically serving Tooele County. The bill took effect July 1, 2009.

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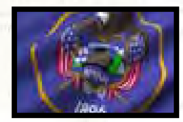
09

State of Utah

Required Supplementary Information



Escalante State Park

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,821,087	$ 1,544,190	$ 1,547,475	$ 3,285
Licenses, Permits, and Fees:				
Insurance Fees	6,766	5,012	5,825	813
Court Fees	6,460	7,217	6,746	(471)
Other Licenses, Permits, and Fees	6,459	7,659	10,468	2,809
Investment Income	31,050	17,000	25,072	8,072
Miscellaneous Taxes and Other:				
Beer Tax	8,845	8,358	8,567	209
Cigarette and Tobacco Tax	60,874	52,114	52,042	(72)
Inheritance Tax	50	200	321	121
Insurance Premium Tax	79,808	81,257	82,980	1,723
Oil, Gas, and Mining Severance Tax	85,306	86,321	85,570	(751)
Taxpayer Rebates	(6,223)	(6,450)	(6,234)	216
Court Collections	5,220	4,067	4,738	671
Other Taxes	26,347	28,005	31,572	3,567
Miscellaneous Other	9,461	12,490	13,233	743
Total General Revenues	2,141,510	1,847,440	1,868,375	20,935
Department Specific Revenues				
Restricted Sales Tax	3,890	3,803	3,803	—
Federal Contracts and Grants	2,055,724	2,268,666	2,268,666	—
Departmental Collections	312,396	313,415	325,953	12,538
Higher Education Collections	384,804	416,933	416,933	—
Federal Mineral Lease	141,095	167,800	172,642	4,842
Investment Income	16,172	6,799	6,060	(739)
Miscellaneous	495,439	578,266	579,073	807
Total Department Specific Revenues	3,409,520	3,755,682	3,773,130	17,448
Total Revenues	5,551,030	5,603,122	5,641,505	38,383
Expenditures				
General Government	435,045	354,648	300,164	54,484
Human Services and Youth Corrections	737,732	719,875	708,098	11,777
Corrections, Adult	286,399	263,344	253,312	10,032
Public Safety	274,133	244,536	212,465	32,071
Courts	136,292	130,228	127,656	2,572
Health and Environmental Quality	2,051,118	2,173,082	2,157,204	15,878
Higher Education – State Administration	1,231,468	60,919	60,225	694
Higher Education – Colleges and Universities	35,116	1,174,062	1,173,374	688
Employment and Family Services	320,854	534,125	531,522	2,603
Natural Resources	197,058	199,734	177,780	21,954
Community and Culture	200,131	147,887	143,899	3,988
Business, Labor, and Agriculture	107,987	104,012	93,147	10,865
Total Expenditures	6,013,333	6,106,452	5,938,846	167,606
Excess Revenues Over (Under) Expenditures	(462,303)	(503,330)	(297,341)	205,989
Other Financing Sources (Uses)				
Capital Leases Acquisition	—	—	2,010	2,010
Sale of Capital Assets	—	—	11,001	11,001
Transfers In	610,175	591,278	591,278	—
Transfers Out	(354,338)	(490,981)	(490,981)	—
Total Other Financing Sources (Uses)	255,837	100,297	113,308	13,011
Net Change in Fund Balance	(206,466)	(403,033)	(184,033)	219,000
Budgetary Fund Balance – Beginning	686,109	686,109	686,109	—
Budgetary Fund Balance – Ending	$ 479,643	$ 283,076	$ 502,076	$ 219,000

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

Budgetary Comparison Schedule
Education Fund

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 2,772,281	$ 2,323,000	$ 2,338,592	$ 15,592
Corporate Tax	325,628	276,250	263,892	(12,358)
Total General Revenues	3,097,909	2,599,250	2,602,484	3,234
Department Specific Revenues				
Miscellaneous:				
Investment Income	9,272	4,628	5,849	1,221
Total Department Specific Revenues	9,272	4,628	5,849	1,221
Total Revenues	3,107,181	2,603,878	2,608,333	4,455
Expenditures				
Education Support	—	—	—	—
Total Expenditures	0	0	0	0
Excess Revenues Over (Under) Expenditures	3,107,181	2,603,878	2,608,333	4,455
Other Financing Sources (Uses)				
Transfers Out	(3,231,247)	(2,491,748)	(2,491,748)	—
Total Other Financing Sources (Uses)	(3,231,247)	(2,491,748)	(2,491,748)	0
Net Change in Fund Balance	(124,066)	112,130	116,585	4,455
Budgetary Fund Balance – Beginning	234,676	234,676	234,676	—
Budgetary Fund Balance – Ending	$ 110,610	$ 346,806	$ 351,261	$ 4,455

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah

Budgetary Comparison Schedule
Uniform School Fund

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Miscellaneous Other	$ 12,386	$ 11,600	$ 25,358	$ 13,758
Total General Revenues	12,386	11,600	25,358	13,758
Department Specific Revenues				
Federal Contracts and Grants	375,266	597,254	597,254	—
Departmental Collections	4,483	7,823	7,823	—
Investment Income	26,500	26,858	27,326	468
Miscellaneous:				
School Lunch Tax	21,612	26,769	26,769	—
Driver Education Fee	3,955	5,002	5,002	—
Other	5,174	8,753	8,917	164
Total Department Specific Revenues	436,990	672,459	673,091	632
Total Revenues	449,376	684,059	698,449	14,390
Expenditures				
Public Education	3,160,876	3,095,983	3,048,561	47,422
Total Expenditures	3,160,876	3,095,983	3,048,561	47,422
Excess Revenues Over (Under) Expenditures	(2,711,500)	(2,411,924)	(2,350,112)	61,812
Other Financing Sources (Uses)				
Transfers In	2,662,591	2,227,988	2,227,988	—
Transfers Out	(57,350)	(55,265)	(55,265)	—
Total Other Financing Sources (Uses)	2,605,241	2,172,723	2,172,723	0
Net Change in Fund Balance	(106,259)	(239,201)	(177,389)	61,812
Budgetary Fund Balance – Beginning	371,621	371,621	371,621	—
Budgetary Fund Balance – Ending	$ 265,362	$ 132,420	$ 194,232	$ 61,812

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

Budgetary Comparison Schedule
Transportation Fund

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 273,735	$ 223,476	$ 235,481	$ 12,005
Special Fuel Tax	127,923	104,571	101,367	(3,204)
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	32,319	35,731	34,917	(814)
Proportional Registration Fees	12,435	13,644	14,114	470
Temporary Permits	449	501	492	(9)
Special Transportation Permits	7,166	8,430	8,235	(195)
Highway Use Permits	6,389	6,880	12,520	5,640
Motor Vehicle Control Fees	4,871	4,676	4,552	(124)
Miscellaneous	1,734	1,979	2,094	115
Investment Income	3,569	3,643	3,370	(273)
Miscellaneous Other	1,309	4,616	5,833	1,217
Total General Revenues	471,899	408,147	422,975	14,828
Department Specific Revenues				
Restricted Sales and Aviation Fuel Taxes	150,471	115,819	122,281	6,462
Federal Contracts and Grants	177,281	322,175	322,175	—
Departmental Collections	50,297	65,631	64,688	(943)
Federal Aeronautics	45,000	45,000	34,141	(10,859)
Investment Income	1,030	1,030	5,761	4,731
Miscellaneous	20,050	117,781	118,028	247
Total Department Specific Revenues	444,129	667,436	667,074	(362)
Total Revenues	916,028	1,075,583	1,090,049	14,466
Expenditures				
Transportation	922,315	1,409,084	1,403,297	5,787
Total Expenditures	922,315	1,409,084	1,403,297	5,787
Excess Revenues Over (Under) Expenditures	(6,287)	(333,501)	(313,248)	20,253
Other Financing Sources (Uses)				
General Obligation Bonds Issued	—	—	427,917	427,917
Sale of Capital Assets	—	—	6,157	6,157
Transfers In	168,200	189,981	189,981	—
Transfers Out	(136,836)	(150,054)	(150,054)	—
Total Other Financing Sources (Uses)	31,364	39,927	474,001	434,074
Net Change in Fund Balance	25,077	(293,574)	160,753	454,327
Budgetary Fund Balance – Beginning	466,015	466,015	466,015	—
Budgetary Fund Balance – Ending	$ 491,092	$ 172,441	$ 626,768	$ 454,327

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

Budgetary Comparison Schedule
Transportation Investment Fund

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 179,800	$ 151,800	$ 157,050	$ 5,250
Motor Vehicle Registration Fees	23,700	23,600	22,955	(645)
Total General Revenues	203,500	175,400	180,005	4,605
Department Specific Revenues				
Federal Contracts and Grants	30,000	1,200	1,200	—
Investment Income	2,000	2,000	949	(1,051)
Total Department Specific Revenues	32,000	3,200	2,149	(1,051)
Total Revenues	235,500	178,600	182,154	3,554
Expenditures				
Transportation	172,130	293,498	293,498	—
Total Expenditures	172,130	293,498	293,498	0
Excess Revenues Over (Under) Expenditures	63,370	(114,898)	(111,344)	3,554
Other Financing Sources (Uses)				
Transfers In	131,977	131,977	131,977	—
Transfers Out	(194,193)	(222,796)	(222,796)	—
Total Other Financing Sources (Uses)	(62,216)	(90,819)	(90,819)	0
Net Change in Fund Balance	1,154	(205,717)	(202,163)	3,554
Budgetary Fund Balance – Beginning	182,855	182,855	182,855	—
Budgetary Fund Balance – Ending	$ 184,009	$ (22,862)	$ (19,308)	$ 3,554

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

Budgetary Comparison Schedule
Budget To GAAP Reconciliation

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	General Fund	Education Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund
Revenues					
Actual total revenues (budgetary basis)	$ 5,641,505	$ 2,608,333	$ 698,449	$ 1,090,049	$ 182,154
Differences – Budget to GAAP:					
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(398,472)	—	(8,633)	(1,430)	—
Higher education and Utah Schools for the Deaf and the Blind collections are budgetary revenues but are not revenues for financial reporting	(426,529)	—	(5,105)	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	10,433	—	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	(64,064)	(12,906)	1,616	2,784	(6,361)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 4,762,873	$ 2,595,427	$ 686,327	$ 1,091,403	$ 175,793
Expenditures					
Actual total expenditures (budgetary basis)	$ 5,938,846	$ —	$ 3,048,561	$ 1,403,297	$ 293,498
Differences – Budget to GAAP:					
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(398,472)	—	(8,633)	(1,430)	—
Expenditures related to higher education and Utah Schools for the Deaf and the Blind collections are budgetary expenditures but are not expenditures for financial reporting	(426,529)	—	(5,105)	—	—
Certain budgetary transfers and other charges are reported as a reduction of expenditures for financial reporting	(5,036)	—	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	(7,894)	—	(145)	(1,009)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	2,407	—	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 5,103,322	$ 0	$ 3,034,678	$ 1,400,858	$ 293,498

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Presentation

A Budgetary Comparison Schedule is presented for each of the State's major governmental funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Debt Service Fund, a nonmajor fund. The budgets are enacted through passage of *Appropriations Acts.* Budgets for specific general revenues are not adopted through an *Appropriations Act* but are based on supporting estimates approved by the Executive Appropriations Committee of the Legislature. General revenues are those revenues available for appropriation for any program or purpose as allowed by law. Department-specific revenues are revenues dedicated by an *Appropriations Act* or restricted by other law or external grantor to a specific program or purpose.

Original budgets and related revenue estimates represent the spending authority enacted through *Appropriations Acts* as of June 30, 2009, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

Unexpended balances at yearend may: (***1***) lapse to unrestricted balances and be available for future appropriation; (***2***) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or (***3***) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by an *Appropriations Act*, or by limited encumbrances.

Budgetary Control

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The *Constitution of Utah* requires that budgeted expenditures not exceed estimated revenues and other sources of funding, including beginning balances.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act.* Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental *Appropriations Act*.

Any department that spends more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by $804 thousand. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Spending Limitation

The State also has an appropriation limitation statute that limits the growth in state appropriations. The total of the amount appropriated from unrestricted General Fund sources plus the income tax revenues appropriated for higher education is limited to the growth in population and inflation. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for debt service, emergency expenditures, amounts from other than unrestricted revenue sources, transfers to the Budgetary Reserve Account (Rainy Day Fund), Education Budget Reserve Account and the Transportation Investment Fund; or capital developments meeting certain criteria are exempt from the appropriations limitation. For the fiscal year ended June 30, 2009, the State was $285.51 million below the appropriations limitation.

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFIT PLANS

The State Employees' Other Postemployment Benefit Plan (State Employees' OPEB Plan) is administered through the State Post-Retirement Benefits Trust Fund as an irrevocable trust. Assets of the trust fund are dedicated to providing post-retirement health and life insurance coverage to current and eligible future state retirees. Only state employees entitled to receive retirement benefits, and hired prior to January 1, 2006, are eligible to receive post-retirement health and life insurance benefits.

The following factors contributed to the decrease in the State Employees' OPEB Plan Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) from December 31, 2006 to December 31, 2008: ***1)*** fully funding the Annual Required Contribution (ARC) over the last two fiscal years; ***2)*** changes in benefit provisions that shifted increases in health care costs to employees and retirees; and ***3)*** the State Employees' Plan is a closed plan (i.e., only state employees entitled to receive retirement benefits and hired prior to January 1, 2006 are eligible to receive benefits).

The following schedules present the State of Utah's actuarially determined funding progress and required contributions for the State Post-Retirement Benefits Trust Fund (using the projected unit credit method):

State Employees' OPEB Plan
Schedule of Funding Progress
By Valuation Date
(Expressed in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2006	$ 0	$ 669,617	$ 669,617	0.00 %	$ 748,096	89.51 %
December 31, 2008	$ 53,851	$ 446,601	$ 392,750	12.06 %	$ 901,245	43.58 %

State Employees' OPEB Plan
Schedule of Employer Contributions
(Expressed in Thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2007	$ 50,433	101.37 %
June 30, 2008	$ 53,491	98.71 %
June 30, 2009	$ 53,491	100.00 %

The Elected Officials' Other Postemployment Benefit Plan (Elected Officials' OPEB Plan) is administered by the State and funded on a pay-as-you-go basis. Only elected officials that retire after January 1, 1998 and have 4 or more years of service are eligible for this benefit. The following schedule presents the State of Utah's actuarially determined funding progress for the Elected Officials' OPEB Plan (using the projected unit credit method):

Elected Officials' OPEB Plan
Schedule of Funding Progress
By Valuation Date
(Expressed in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2008	$ 0	$ 24,515	$ 24,515	0.00 %	$ 866	2,830.8 %

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the State has adopted an alternative to reporting depreciation on roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). This includes infrastructure acquired prior to fiscal year 1981. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the State.

Roads

UDOT uses the Pavement Management System to determine the condition of 5,699 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

Category	Range	Description
Very Good	4.35 – 5.00	New or nearly new pavements that provide a very smooth ride, and are mainly free of distress.
Good	3.55 – 4.34	Pavements that provide an adequate ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Condition Level – Roads

The State's established condition level is to maintain 50 percent of its roads with a rating of "fair" or better and no more than 15 percent of roads with a rating of "very poor."

The State performs complete assessments on a calendar year basis. The following table reports the result of pavements with ratings of "fair" or better (ratings of 2.75 through 5.0) or "very poor" (ratings of 1.0 through 1.84) for the last three years:

Rating	2008	2007	2006
Fair or Better	61.0 %	62.6 %	64.5 %
Very Poor	13.9 %	12.4 %	11.3 %

The following table presents the State's estimated amounts needed to maintain and preserve roads at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2009	$ 296,443	$ 313,817
2008	$ 418,386	$ 292,585
2007	$ 212,911	$ 252,526
2006	$ 240,854	$ 366,600
2005	$ 226,345	$ 307,858

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,833 state-owned bridges. A number, ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

Category	Range	Description
Good	80 – 100	Preventive maintenance requirements include repair leaking deck joints, apply deck overlays and seals, place concrete sealers to splash zones, paint steel surfaces, and minor beam repairs.
Fair	50 – 79	Corrective repairs include deck, beam, and substructure repairs, fixing settled approaches, and repairing collision damage.
Poor	1 – 49	Major rehabilitation and replacement includes deck, beam, or substructure replacements or replacement of the entire bridge.

Condition Level – Bridges

The State performs complete assessments on an annual basis ending April 1 of each year. The established condition level is to maintain 50 percent of the bridges with a rating of "good" and no more than 15 percent with a rating of "poor." The following table reports the results of the bridges assessed for the past three years:

Rating	2009	2008	2007
Good	69.0 %	72.0 %	71.0 %
Poor	1.0 %	2.0 %	2.0 %

The following table presents the State's estimated amounts needed to maintain and preserve bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2009	$ 52,314	$ 55,379
2008	$ 73,833	$ 51,633
2007	$ 37,573	$ 44,563
2006	$ 42,504	$ 64,694
2005	$ 39,943	$ 54,328

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APPENDIX B

ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

Historical Constitutional And Statutory Debt Limit Of The State By Fiscal Year

The calculation of the historical constitutional debt limit, the general obligation debt, the additional general obligation debt incurring capacity, and the statutory debt limit for the State for each of the Fiscal Years 2005 through 2009, is as follows:

	Fiscal Year Ended June 30 (in thousands)				
	2009	2008	2007	2006	2005
Fair Market Value of Ad Valorem Taxable Property	$298,740,951	$269,489,923	$218,864,054	$186,836,224	$173,003,833
Fees in lieu of Ad Valorem Tax (1)	12,784,269	12,686,241	14,148,805	12,146,609	12,616,364
Fair Market Value for Debt Incurring Capacity	$311,525,220	$282,176,164	$233,012,859	$198,982,833	$185,620,197
Constitutional:					
Constitutional Debt Limit	$4,672,878	$4,232,642	$3,495,193	$2,984,742	$2,784,303
Outstanding Constitutional General Obligation Debt (Net) (2)	(1,562,815)	(1,198,172)	(1,284,023)	(1,436,845)	(1,587,804)
Additional Debt Incurring Capacity (*constitutional*)	$3,110,063	$3,034,470	$2,211,170	$1,547,897	$1,196,499
Statutory:					
Statutory General Obligation Debt Limit	$1,145,227	$1,114,933	$1,024,512	$944,824	$880,463
Outstanding General Obligation Debt (Net) (2) (3)	(483,545)	(434,590)	(493,456)	(558,866)	(630,711)
Additional General Obligation Debt Incurring Capacity (*statutory*)	$ 661,682	$ 680,343	$ 531,056	$385,958	$249,752

(1) For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.
(2) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.
(3) Certain general obligation highway indebtedness is exempt from the State Appropriations and Tax Limitation Act.

(Sources: Property Tax Division, State Tax Commission and the Division of Finance.)

Debt Ratios Of The State

The following tables show the ratios of the principal par amounts of the State's general obligation debt (excludes any additional principal amounts attributable to unamortized original issue bond premium and deferred amount on refunding), to population, total personal income, taxable value and fair market/market value for the fiscal years shown and estimated as of September 30, 2010.

	Fiscal Year Ended June 30				
	2010	2009	2008	2007	2006
Outstanding general obligation debt (in $1,000's)	$2,299,300	$1,492,620	$1,161,510	$1,237,170	$1,377,390
Debt ratios:					
Per capita	$826	$536	$426	$464	$533
As % of State Total Personal Income	2.67%	1.73%	1.33%	1.46%	1.76%
As % of Taxable Value	1.15%	0.70%	0.61%	0.80%	1.04%
As % of Fair Market/Market Value	0.82%	0.50%	0.43%	0.57%	0.74%

	Estimated As of September 30, 2010
Outstanding general obligation debt (including the 2010 Bonds)	$3,125,210,000
Debt ratios:	
Per capita (1) (2009 estimate–2,784,572)	$1,122
As % of State Total Personal Income (2009 estimate–$86,275,000,000)	3.62%
As % of Taxable Value (2010 estimate–$197,298,123,847)	1.58%
As % of Fair Market Value/Market Value (2010 estimate–$272,845,247,355)	1.15%

(1) Population estimates from the U.S. Census Bureau.

(Source: Financial Advisor.)

The ratios of debt service expenditures to General Fund expenditures and to all governmental fund type expenditures for the last five fiscal years are shown below:

	Fiscal Year Ended June 30 (in thousands)				
	2009	2008	2007	2006	2005
General Fund Expenditures	$5,103,322	$4,827,229	$4,497,679	$4,333,467	$4,016,667
Debt Service Expenditures (1)	$245,288	$333,175	$235,011	$235,436	$273,679
Ratio of Debt Service to General Fund Expenditures	4.81%	6.90%	5.23%	5.43%	6.81%
Total All Governmental Funds Expenditures	$10,391,436	$9,877,368	$8,772,404	$8,118,742	$7,489,813
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	2.36%	3.37%	2.68%	2.90%	3.65%

(1) In Fiscal Year 2008, debt service includes the cash defeasance on the Authority's lease revenue bonds: $8.525 million for the 2004B Bonds; $56.2 million for the 2001A Bonds; and $4.515 million for the 1998C Bonds. In addition, $30.3 million was retired on the 2001C Bonds. In Fiscal Year 2005, debt service includes a final debt payment of approximately $31.6 million (for 2002 Winter Olympic facilities).

(Sources: Division of Finance and the 2009 CAFR.)

State Building Ownership Authority

Legal Borrowing Debt Capacity. The Authority may not issue any bonds or other obligations under the State Building Ownership Authority Act in an amount which would exceed the difference between the total outstanding indebtedness of the State and 1.5% of the fair market value of the taxable property of the State, plus certain add–back indebtedness provided by legislative directive. As of September 30, 2010 (the anticipated closing date of the Bonds), the legal debt limit and additional debt incurring capacity of the Authority are calculated as follows:

Fair market value of ad valorem taxable property (1)	$279,470,018,301
Fees in lieu of ad valorem taxable property (2)	11,990,434,058
Total fair market value of taxable property (1)	$291,460,452,359
1.5% debt limit amount	$4,371,906,785
Less: outstanding State general obligation debt (net) (3)	(3,285,211,104)
Less: Authority's outstanding lease revenue bonds (net) (3)	(334,759,222)
Plus: statutorily exempt State general obligation highway debt (net) (3)	2,720,175,682
Authority's estimated additional debt incurring capacity	$3,472,112,141

(1) Based on 2009 taxable values. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" above.
(2) Based on 2009 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.
(3) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits as of September 30, 2010.

The State's Limited Lease Obligation. The State Building Ownership Authority Act provides generally that bonds issued by the Authority are payable only from lease payments received by the Authority for the facilities constructed or acquired thereunder, and that, if the rentals paid by a lessee State agency to the Authority are insufficient to pay the principal and interest on such bonds, the Governor may request the Legislature to appropriate additional funds to that agency for the payment of increased rentals. *The Legislature may, but is not required to, make such an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to herein as "State Lease Revenue Bonds."*

Debt Issuance. Current Lease Revenue Bonds Outstanding. Under the State Facilities Master Lease Program, no debt service reserve fund is created for any bonds issued under the Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, as amended and supplemented (the "Authority Indenture") between the Authority and Wells Fargo Bank, N.A., as trustee, and the State Facilities Master Lease Agreement, dated as of September 1, 1994, as amended and supplemented, between the Authority and the State acting through DFCM. Under this program, all bonds are issued on a parity basis and are cross–collateralized by the facilities subject to the lien of the Authority Indenture and the respective Mortgage, Security Agreement and Assignment of Rent.

Bonds issued under the State Facilities Master Lease Program are not classified as State Moral Obligation Bonds as defined in "DEBT STRUCTURE OF THE STATE OF UTAH—State Moral Obligation Bonds" above. However, such bonds are considered to be State Lease Revenue Bonds.

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As of September 30, 2010, the Authority has the following State Lease Revenue Bonds outstanding under the State Facilities Master Lease Program and other separate stand alone legal documents:

Issued (On A Parity Basis) Under The State Facilities Master Lease Program

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2009E (1) (2).....	Huntsman Cancer Hospital	$ 89,470,000	May 15, 2030	$ 89,470,000
2009D (1)..........	Huntsman Cancer Hospital	12,125,000	May 15, 2017	12,125,000
2009C (1) (2).....	DABC Warehouse	16,715,000	May 15, 2029	16,715,000
2009B (1)..........	DABC Warehouse	8,445,000	May 15, 2019	8,445,000
2009A (1)..........	DABC Facilities	25,505,000	May 15, 2030	25,505,000
2007A (1) (3)	DABC/UCI Facilities	15,380,000	May 15, 2028	14,565,000
2006A (1)..........	DABC Facilities	8,355,000	May 15, 2027	7,485,000
2004A (1)..........	Refunding/various purpose	45,805,000	May 15, 2027	38,880,000
2003 (1)............	Refunding/various purpose	22,725,000	May 15, 2025	16,580,000
2001B (1)..........	Various purpose	25,780,000	May 15, 2024	19,635,000
2001A (1) (4)	Huntsman Cancer Hospital	69,850,000	May 15, 2019 (7)	5,350,000
1998C (5) (6).....	Refunding	105,100,000	May 15, 2019	72,465,000
Total principal amount of outstanding State Facilities Master Lease Program Bonds				$327,220,000

(1) Rated "Aa1" by Moody's; and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT. No municipal bond rating has been requested from Fitch.
(2) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(3) These bonds are insured by National Public Finance Guarantee Corp. (formerly MBIA Insurance Corporation of Illinois), as of the date of this OFFICIAL STATEMENT.
(4) The majority of this bond issue (principal amounts maturing 2010 through 2018; 2020 and 2021) has been legally defeased from an irrevocable escrow account, which account was funded from available cash on hand.
(5) These bonds are rated "Aa1" (Assured Guaranty Municipal Corp. insured) by Moody's, and "AAA" (Assured Guaranty Municipal Corp. insured; underlying "AA+") by S&P, as of the date of this OFFICIAL STATEMENT.
(6) Portions of this bond issue (principal amounts maturing 2011 through 2019, in the total aggregate amounts of $2,925,000 and $4,515,000) have been legally defeased by separate irrevocable escrow accounts, which accounts were funded from available cash on hand.
(7) Final maturity date after portions of this bond was legally defeased from available cash on hand.

Other series of State Lease Revenue Bonds issued by the Authority, as listed below under the caption "Issued Under Separate Stand Alone Legal Documents," are not issued on a parity basis with the State Lease Revenue Bonds issued under the State Facilities Master Lease Program or each other. Separate debt service reserve funds have been established and funded for each of these other series of bonds.

Issued Under Separate Stand Alone Legal Documents

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
1993A (1)..	Human Services Building	$ 6,230,000	January 1, 2013	$1,410,000
1992B (1)..	Youth Corrections	1,380,000	August 15, 2011	120,000
1992A (1)..	Refunding/Employ. Security	26,200,000	August 15, 2011	2,185,000
Total Authority's other bonds				$3,715,000

(1) Rated "Aa1" by Moody's, and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT. No municipal bond rating has been requested from Fitch.

Summary

Total State Facilities Master Lease Program Bonds	$327,220,000
Total Authority's other bonds	3,715,000
Total State Lease Revenue Bonds (1)	$330,935,000

(1) For accounting purposes, the total unamortized bond premium is $4,629,210 and the total deferred amount on refunding is $804,988 as of September 30, 2010, together with current debt outstanding of $330,935,000, results in total outstanding net direct debt of $334,759,222.

Authorized State Lease Revenue Bonds and Future Bonds Issuance. Notwithstanding the legal debt issuing capacity of the Authority discussed in this section under "Legal Borrowing Debt Capacity" above, the Authority may only issue State Lease Revenue Bonds for facilities authorized by the Legislature. Under existing legislative authorization, the Authority has approximately $13,010,000 of remaining bonding authority for future projects that may be undertaken solely by vote of the Authority. The remaining bonding authority consists of:

- ❑ $10,500,000 for capital projects from a 2000 authorization; and
- ❑ $2,510,000 for capital projects from a 1999 authorization.

As of the date of this OFFICIAL STATEMENT, the Authority anticipates it will not issue the remaining authorized lease revenue bonds and the Legislature will repeal the authorization acts in future legislative sessions.

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Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year (1)

Issued under the State Facilities Master Lease Program

Fiscal Year Ending June 30	Series 2009E $89,470,000 Principal	Series 2009E Interest (2)	Series 2009D $12,125,000 Principal	Series 2009D Interest	Series 2009C $16,715,000 Principal	Series 2009C Interest (2)	Series 2009B $8,445,000 Principal	Series 2009B Interest	Series 2009A $25,505,000 Principal	Series 2009A Interest	Series 2007A $15,380,000 Principal	Series 2007A Interest
2011………..	$ 0	$ 4,992,885	$ 0	$ 606,250	$ 0	$ 929,780	$ 0	$ 404,250	$ 830,000	$ 1,185,400	$ 545,000	$ 690,675
2012………..	0	4,992,885	0	606,250	0	929,780	900,000	404,250	875,000	1,160,500	565,000	667,513
2013………..	0	4,992,885	0	606,250	0	929,780	925,000	377,250	900,000	1,134,250	585,000	643,500
2014………..	0	4,992,885	1,300,000	606,250	0	929,780	975,000	331,000	925,000	1,107,250	610,000	618,638
2015………..	0	4,992,885	3,425,000	541,250	0	929,780	1,020,000	282,250	950,000	1,079,500	645,000	592,713
2016………..	0	4,992,885	3,605,000	370,000	0	929,780	1,075,000	231,250	975,000	1,041,500	665,000	563,688
2017………..	0	4,992,885	3,795,000	189,750	0	929,780	1,125,000	177,500	1,025,000	1,002,500	695,000	533,763
2018………..	4,010,000	4,992,885	–	–	0	929,780	1,185,000	121,250	1,075,000	951,250	735,000	502,488
2019………..	0	4,807,463	–	–	0	929,780	1,240,000	62,000	1,125,000	897,500	760,000	471,250
2020………..	5,295,000	4,807,463	–	–	1,305,000 (4)	929,780	–	–	1,175,000	841,250	795,000 (7)	438,000
2021………..	5,555,000	4,539,853	–	–	1,370,000 (4)	860,693	–	–	1,250,000	782,500	835,000 (7)	398,250
2022………..	5,830,000	4,248,549	–	–	1,445,000 (4)	788,165	–	–	1,300,000	720,000	880,000 (8)	356,500
2023………..	5,395,000	3,936,994	–	–	1,520,000 (4)	711,667	–	–	1,375,000	655,000	915,000 (8)	312,500
2024………..	5,695,000	3,643,290	–	–	1,605,000 (4)	631,198	–	–	1,450,000	586,250	965,000 (9)	266,750
2025………..	6,015,000 (3)	3,327,559	–	–	1,685,000 (5)	546,230	–	–	1,500,000	513,750	1,015,000 (9)	218,500
2026………..	8,635,000 (3)	2,980,614	–	–	1,785,000 (5)	449,039	–	–	1,575,000	438,750	1,065,000 (10)	167,750
2027………..	9,145,000 (3)	2,482,547	–	–	1,890,000 (5)	346,080	–	–	1,675,000	360,000	1,115,000 (10)	114,500
2028………..	10,665,000 (3)	1,955,064	–	–	1,995,000 (5)	237,065	–	–	1,750,000 (6)	276,250	1,175,000 (10)	58,750
2029………..	11,285,000 (3)	1,339,906	–	–	2,115,000 (5)	121,993	–	–	1,850,000 (6)	188,750	–	–
2030………..	11,945,000 (3)	688,988	–	–	–	–	–	–	1,925,000 (6)	96,250	–	–
Totals………	$ 89,470,000	$ 78,701,368	$ 12,125,000	$ 3,526,000	$ 16,715,000	$ 13,989,929	$ 8,445,000	$ 2,391,000	$ 25,505,000	$ 15,018,400	$ 14,565,000	$ 7,615,725

Fiscal Year Ending June 30	Series 2006A $8,355,000 Principal	Series 2006A Interest	Series 2004A $45,805,000 Principal	Series 2004A Interest	Series 2003 $22,725,000 Principal	Series 2003 Interest	Series 2001B $25,780,000 Principal	Series 2001B Interest	Series 2001A $69,850,000 Principal	Series 2001A Interest	Series 1998C $105,100,000 Principal (15)	Series 1998C Interest
2011………..	$ 315,000	$ 318,078	$ 2,550,000	$ 1,958,825	$ 1,325,000	$ 711,230	$ 1,090,000	$ 941,803	$ 0	$ 267,500 (14)	$ 8,410,000	$ 3,985,575
2012………..	325,000	307,053	2,665,000	1,831,325	1,375,000	663,530	1,135,000	898,203	0	267,500 (14)	8,345,000	3,523,025
2013………..	335,000	295,678	2,795,000	1,698,075	1,440,000	594,780	1,175,000	852,803	0	267,500 (14)	8,805,000	3,064,050
2014………..	350,000	282,278	2,945,000	1,558,325	835,000	537,180	1,225,000	804,628	0	267,500 (14)	9,290,000	2,579,775
2015………..	365,000	268,278	3,085,000	1,411,075	875,000	503,780	1,280,000	753,178	0	267,500 (14)	8,850,000	2,068,825
2016………..	380,000	253,678	3,245,000	1,256,825	900,000	468,780	1,335,000	698,138	0	267,500 (14)	9,230,000 (16)	1,582,075
2017………..	395,000	238,478	3,405,000	1,094,575	940,000	432,780	1,400,000	631,388	0	267,500 (14)	9,130,000 (16)	1,074,425
2018………..	410,000	222,678	2,450,000	924,325	980,000	394,240	1,465,000	561,388	0	267,500 (14)	8,295,000 (16)	572,275
2019………..	425,000	205,663	2,230,000	801,825	1,020,000	353,080	1,550,000	488,138	5,350,000	267,500 (14)	2,110,000 (16)	116,050
2020………..	445,000	187,600	2,345,000	690,325	1,065,000	310,240	1,620,000	410,638	0	0 (14)	–	–
2021………..	465,000	168,688	2,110,000	567,213	1,110,000	264,978	1,705,000	329,638	0	0 (14)	–	–
2022………..	485,000	145,438	1,665,000	456,438	1,160,000	216,415	1,760,000 (13)	244,388	–	–	–	–
2023………..	510,000	122,400	1,755,000	369,025	1,210,000	165,375	1,850,000 (13)	151,988	–	–	–	–
2024………..	535,000 (11)	96,900	1,845,000	276,888	1,265,000	110,925	1,045,000 (13)	54,863	–	–	–	–
2025………..	560,000 (11)	74,163	1,830,000 (12)	180,025	1,080,000	54,000	–	–	–	–	–	–
2026………..	580,000 (11)	50,363	1,250,000 (12)	93,100	–	–	–	–	–	–	–	–
2027………..	605,000 (11)	25,713	710,000 (12)	33,725	–	–	–	–	–	–	–	–
2028………..	–	–	–	–	–	–	–	–	–	–	–	–
2029………..	–	–	–	–	–	–	–	–	–	–	–	–
2030………..	–	–	–	–	–	–	–	–	–	–	–	–
Totals………	$ 7,485,000	$ 3,263,120	$ 38,880,000	$ 15,201,913	$ 16,580,000	$ 5,781,313	$ 19,635,000	$ 7,821,175	$ 5,350,000	$ 2,407,500	$ 72,465,000	$ 18,566,075

(1) This table reflects the Authority's debt service schedule for its lease revenue bonds for the Fiscal Year shown. This information is based on payments (cash basis) falling due in that particular Fiscal Year
(2) Issued as federally taxable "Build America Bonds." Does not reflect a 35% federal interest rate subsidy
(3) Mandatory sinking fund payments from a $57,690,000, 5.768%, term bond due May 15, 2030.
(4) Mandatory sinking fund payments from a $7,245,000, 5.294%, term bond due May 15, 2024.
(5) Mandatory sinking fund payments from a $9,470,000, 5.768%, term bond due May 15, 2029.
(6) Mandatory sinking fund payments from a $5,525,000, 5%, term bond due May 15, 2030.
(7) Mandatory sinking fund payments from a $1,630,000, 5%, term bond due May 15, 2021.
(8) Mandatory sinking fund payments from a $1,795,000, 5%, term bond due May 15, 2023.
(9) Mandatory sinking fund payments from a $1,980,000, 5%, term bond due May 15, 2025.
(10) Mandatory sinking fund payments from a $3,355,000, 5%, term bond due May 15, 2028.
(11) Mandatory sinking fund payments from a $2,280,000, 4.25%, term bond due May 15, 2027.
(12) Mandatory sinking fund payments from a $3,790,000, 4.75%, term bond due May 15, 2027.
(13) Mandatory sinking fund payments from a $4,655,000, 5.25%, term bond due May 15, 2024.
(14) The majority of this bond issue (certain principal amounts maturing 2011 through 2018; 2020 and 2021) have been legally defeased from an irrevocable escrow account, which account was funded from available cash on hand.
(15) Remaining principal after portions of certain principal amounts maturing May 15, 2011 through May 15, 2019 have been legally defeased by separate irrevocable escrow accounts.
(16) Mandatory sinking fund payments from a $28,765,000, 5.50%, term bond due May 15, 2019.

Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year (1)–continued

Issued Under Stand Alone Legal Documents

Fiscal Year Ending June 30	Series 1993A; $6,230,000 Principal	Interest	Total Debt Service	Series 1992B; $1,380,000 Principal	Interest	Total Debt Service	Series 1992A; $26,200,000 Principal	Interest	Total Debt Service
2011..........	$ 445,000 (2)	$ 74,025	$ 519,025	$ 110,000	$ 10,500	$ 120,500	$ 2,060,000	$ 184,863	$ 2,244,863
2012..........	470,000 (2)	50,663	520,663	120,000	3,600	123,600	2,185,000	62,819	2,247,819
2013..........	495,000 (2)	25,988	520,988	–	–	–	–	–	–
2014..........	–	–	–	–	–	–	–	–	–
2015..........	–	–	–	–	–	–	–	–	–
2016..........	–	–	–	–	–	–	–	–	–
2017..........	–	–	–	–	–	–	–	–	–
2018..........	–	–	–	–	–	–	–	–	–
2019..........	–	–	–	–	–	–	–	–	–
2020..........	–	–	–	–	–	–	–	–	–
2021..........	–	–	–	–	–	–	–	–	–
2022..........	–	–	–	–	–	–	–	–	–
2023..........	–	–	–	–	–	–	–	–	–
2024..........	–	–	–	–	–	–	–	–	–
2025..........	–	–	–	–	–	–	–	–	–
2026..........	–	–	–	–	–	–	–	–	–
2027..........	–	–	–	–	–	–	–	–	–
2028..........	–	–	–	–	–	–	–	–	–
2029..........	–	–	–	–	–	–	–	–	–
2030..........	–	–	–	–	–	–	–	–	–
Totals.........	$ 1,410,000	$ 150,676	$ 1,560,676	$ 230,000	$ 14,100	$ 244,100	$ 4,245,000	$ 247,682	$ 4,492,682

Total Bonds Issued

Fiscal Year Ending June 30	**State Facilities Master Lease Program** Total Principal	Total Interest (3)	Total Debt Service	**Stand Alone Legal Documents** Total Principal	Total Interest	Total Debt Service	**Total All Lease Obligations** Total Principal	Total Interest (3)	Total Debt Service
2011..........	$ 15,065,000	$ 16,992,250	$ 32,057,250	$ 2,615,000	$ 269,388	$ 2,884,388	$ 17,680,000	$ 17,261,638	$ 34,941,638
2012..........	16,185,000	16,251,812	32,436,812	2,775,000	117,082	2,892,082	18,960,000	16,368,894	35,328,894
2013..........	16,960,000	15,456,800	32,416,800	495,000	25,988	520,988	17,455,000	15,482,788	32,937,788
2014..........	18,455,000	14,615,487	33,070,487	–	–	–	18,455,000	14,615,487	33,070,487
2015..........	20,495,000	13,691,012	34,186,012	–	–	–	20,495,000	13,691,012	34,186,012
2016..........	21,410,000	12,656,097	34,066,097	–	–	–	21,410,000	12,656,097	34,066,097
2017..........	21,910,000	11,565,322	33,475,322	–	–	–	21,910,000	11,565,322	33,475,322
2018..........	20,605,000	10,440,057	31,045,057	–	–	–	20,605,000	10,440,057	31,045,057
2019..........	15,810,000	9,400,247	25,210,247	–	–	–	15,810,000	9,400,247	25,210,247
2020..........	14,045,000	8,615,295	22,660,295	–	–	–	14,045,000	8,615,295	22,660,295
2021..........	14,400,000	7,911,811	22,311,811	–	–	–	14,400,000	7,911,811	22,311,811
2022..........	14,525,000	7,175,892	21,700,892	–	–	–	14,525,000	7,175,892	21,700,892
2023..........	14,530,000	6,424,948	20,954,948	–	–	–	14,530,000	6,424,948	20,954,948
2024..........	14,405,000	5,667,063	20,072,063	–	–	–	14,405,000	5,667,063	20,072,063
2025..........	13,685,000	4,914,226	18,599,226	–	–	–	13,685,000	4,914,226	18,599,226
2026..........	14,890,000	4,179,615	19,069,615	–	–	–	14,890,000	4,179,615	19,069,615
2027..........	15,140,000	3,362,565	18,502,565	–	–	–	15,140,000	3,362,565	18,502,565
2028..........	15,585,000	2,527,128	18,112,128	–	–	–	15,585,000	2,527,128	18,112,128
2029..........	15,250,000	1,650,650	16,900,650	–	–	–	15,250,000	1,650,650	16,900,650
2030..........	13,870,000	785,238	14,655,238	–	–	–	13,870,000	785,238	14,655,238
Totals.........	$327,220,000	$174,283,518	$501,503,518	$ 5,885,000	$ 412,458	$ 6,297,458	$333,105,000	$174,695,976	$507,800,976

(1) This table reflects the Authority's debt service schedule for its lease revenue bonds for the fiscal year shown. This information is based on payments (cash basi falling due in that particular Fiscal Year.
(2) Mandatory sinking fund payments from a $1,410,000, 5.25%, term bond due January 1, 2013.
(3) Does not reflect a 35% federal interest rate subsidy on several "Build America Bonds" lease revenue bond issue:

Additional Historical Financial Information Of The State

The following tables, which have been prepared by the State's Division of Finance, are based on audited financial information and have not been otherwise independently audited. These financial summaries are not presented in a form that can be easily recognized or extracted from the State's audited basic financial statements.

Revenues by Source

All Governmental Fund Types (1)

	Fiscal Year (in thousands)				
	2009	2008	2007	2006	2005
Taxes:					
Individual income tax	$2,340,400	$2,560,394	$2,589,252	$2,324,365	$1,946,593
Sales and use tax	1,761,224	2,031,239	2,109,732	1,915,600	1,699,636
Motor and special fuel tax	337,529	357,664	366,446	344,902	336,417
Corporate tax	249,177	410,586	411,929	379,624	209,304
Other taxes	354,713	333,542	320,204	316,994	275,715
Total taxes	5,043,043	5,693,425	5,797,563	5,281,485	4,467,665
Other revenues:					
Federal contracts and grants	3,207,110	2,574,585	2,480,016	2,524,022	2,366,786
Charges for services	386,516	392,345	347,038	329,576	273,499
Miscellaneous and other	382,614	373,047	261,617	239,901	231,708
Federal mineral lease	172,642	134,404	145,985	156,851	82,704
Licenses, permits and fees	128,212	121,882	120,349	113,684	121,382
Investment income	68,275	124,590	142,357	85,580	45,017
Federal aeronautics	34,141	68,193	44,074	37,521	34,416
Intergovernmental	9,446	12,884	23,332	9,109	4,104
Total other revenues	4,388,956	3,801,930	3,564,768	3,496,244	3,159,616
Total revenues	$9,431,999	$9,495,355	$9,362,331	$8,777,729	$7,627,281

(1) Includes all governmental fund types, except Trust Lands.

(Sources: Division of Finance and the 2009 CAFR.)

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Expenditures by Function

All Governmental Fund Types (1)

Function	Fiscal Year (in thousands) 2009	2008	2007	2006	2005
Public education	$ 3,035,519	$2,960,873	$2,547,421	$2,322,871	$2,168,896
Health and environmental quality	1,812,488	1,648,841	1,620,400	1,634,619	1,461,618
Transportation	1,694,811	1,472,208	1,221,371	975,565	832,285
Higher education (Colleges and Universities)	782,650	793,283	708,063	675,267	637,087
Human services/youth corrections	701,099	677,234	627,598	593,392	576,871
Employment and family services	519,741	432,955	406,532	413,380	417,037
General government	325,076	319,389	268,775	239,838	178,891
Corrections/adult	255,448	251,216	229,198	205,310	198,030
Debt service	245,288	333,175	235,011	235,436	273,679
Public safety	213,038	196,008	172,427	179,622	163,072
Capital outlay	196,204	193,733	196,126	170,748	139,488
Natural resources	178,306	174,120	171,014	140,592	123,195
Community and culture	140,453	132,413	108,592	85,231	87,621
Courts	129,125	131,261	119,650	114,111	107,807
Business, labor and agriculture	101,966	96,072	91,162	89,255	85,115
Higher education (State Adm.)	60,224	64,587	49,064	43,505	39,121
Total expenditures All Governmental Fund Types	$10,391,436	$9,877,368	$8,772,404	$8,118,742	$7,489,813

(1) Includes all governmental fund types, except Trust Lands.

(Sources: Division of Finance and the 2009 CAFR.)

Changes in All Governmental Fund Types (1)

	Fiscal Year (dollars in millions) 2009	2008	2007	2006	2005
Revenues	$9,432	$9,496	$9,362	$8,778	$7,627
% change over previous year	(0.7)%	1.4%	6.7%	15.1%	9.3%
Net other financing sources (2)	$563	$77	$7	$0	$170
Expenditures (3)	$10,391	$9,877	$8,772	$8,119	$7,490
% change over previous year	5.2%	12.6%	8.0%	8.4%	5.9%

(1) Includes all governmental fund types, except Trust Lands.
(2) Includes sale of capital assets, bond proceeds, net of any refunding issues, plus financing provided from capital leasing.
(3) Funding for expenditures is provided from revenues, beginning balances, bond proceeds, sale of capital assets, and capital leases issued. Beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2009 CAFR.)

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Fund Balances (1)

Fund Balances—All Governmental Fund Types

Fund	June 30 (in thousands) 2009	2008	2007	2006	2005
General	$ 632,691	$ 864,868	$1,079,572	$ 869,136	$ 653,979
Special Revenue:					
Transportation	675,172	510,626	327,017	209,885	206,049
Education (2)	517,677	413,998	566,672	–	–
Uniform School	197,168	372,796	651,724	942,389	406,494
State Endowment (3)	79,480	45,834	33,221	24,671	18,109
Rural Development	38,203	35,431	31,109	25,012	19,922
Environmental Reclamation	27,656	29,442	30,168	24,135	25,921
Miscellaneous Special Rev.	13,278	12,446	10,401	8,343	8,074
Universal Telephone	8,008	8,351	6,999	7,119	5,076
Crime Victim Reparation	4,495	6,891	8,942	9,690	9,623
Consumer Education	2,817	4,139	2,774	3,245	3,324
State Capitol	1,282	125	196	125	51
Transportation Investment (4)	(8,652)	199,872	129,808	144,162	184,450
Capital Projects	208,686	239,362	135,762	133,630	226,666
Debt Service	10,980	26,570	23,534	20,722	12,636
Total	$2,408,941	$2,770,751	$3,037,899	$2,422,264	$1,780,374

(1) Includes all governmental fund types, except Trust Lands, and includes restricted and unrestricted fund balances.
(2) Effective Fiscal Year 2007, the Legislature created the Education Fund. Individual income and corporate taxes are deposited into the Education Fund, then transferred as authorized to the Uniform School Fund and expended for public education. The remainder is used for higher education.
(3) Prior to Fiscal Year 2009, the State Endowment Fund was known as the Tobacco Endowment fund. The name change occurred to more clearly classify the type of monies included within the fund. This fund accounts for a portion of proceeds of the State's settlement with major tobacco manufacturers, severance tax revenue in excess of statutory base amounts, and money or other assets given or received in this fund under the provisions of the Utah Code.
(4) Effective Fiscal Year 2006, the Legislature created the Transportation Investment Fund and designated that projects, previously reported as part of the Centennial Highway Fund, be reported within this new fund.

(Sources: Division of Finance and the 2009 CAFR.)

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General Fund

Revenues, Expenditures and Fund Balances

	Fiscal Year (in thousands)				
	2009	2008	2007	2006	2005
Revenues:					
Federal contracts and grants	$2,272,215	$1,892,116	$1,818,571	$1,859,583	$1,776,555
Sales and use tax	1,487,652	1,710,564	1,860,703	1,820,992	1,664,352
Charges for services	293,753	299,819	267,479	256,025	238,181
Other taxes	280,934	283,852	274,563	271,178	234,710
Miscellaneous and other	202,666	158,883	166,471	164,890	148,015
Federal mineral lease	172,642	134,404	145,985	156,851	82,704
Investment income	29,993	75,647	94,448	47,027	16,483
Licenses, permits and fees	23,018	20,633	20,479	18,725	17,866
Total revenues	$4,762,873	$4,575,918	$4,648,699	$4,595,271	$4,178,866
% change over previous year	4.1%	(1.6)%	1.2%	10.0%	7.1%
Expenditures	$5,103,322	$4,827,229	$4,497,679	$4,333,467	$4,016,667
% change over previous year	5.7%	7.3%	3.8%	7.9%	6.4%
Fund Balance: (1)					
Unreserved, designated	$327,467	$394,068	$ 603,165	$483,510	$366,992
Reserved	305,224	470,800	411,600	300,497	262,360
Unreserved, undesignated	–	–	64,807	85,129	24,627
Total fund balance	$632,691	$864,868	$1,079,572	$869,136	$653,979

(1) The fund balance is derived from revenues, expenditures, transfers and other financing sources which are not presented in this table, and from the fund balance from the prior fiscal year.

(Sources: Division of Finance and the 2009 CAFR.)

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APPENDIX C

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH

General Information

This appendix has been summarized from information which is contained in the *Economic Report to the Governor* (the "2010 ERG") and from other reliable sources. *Additionally, the Governor's Office of Planning and Budget ("GOPB") has updated certain sections contained in this appendix with the latest information available.* The 2010 ERG is prepared by the Demographic and Economic Analysis Section of the GOPB. Among other functions, the GOPB is to serve as the lead agency for the U.S. Census Bureau's State Data Center Program. Much of the economic data in 2010 ERG has been generated by members of the State Council of Economic Advisors. A complete copy of the 2010 ERG may be obtained on the internet or by contacting GOPB; 801.538.1027 | f 801.538.1547 | governor.utah.gov

Geographic Information

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 13th among the states in total area, the State contains approximately 84,900 square miles. It ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. As of April 2001, land ownership in the State was distributed as 63.9% federal, 10.1% State, and 26% other (American Indian reservation, municipal, state sovereign lands, and private).

Demographics

The State's official July 1, 2009 population was an estimated 2,784,572, an increase of 1.5% over 2008, according to the Utah Population Estimates Committee ("UPEC"). This is lower than the record growth of 3.2% experienced in 2007. A total of 42,310 people were added to the State's population, with 3.7% of this increase coming from people moving into the State. The State's unique characteristics of a high fertility rate and low mortality rate consistently contribute to strong natural increase, the difference between births and deaths. In 2009, the number of births did not surpass the record of 55,357 set in 2008. However the 54,548 births led to a strong natural increase of 40,763. Deaths within the state totaled 13,785 in 2009. Natural increase accounted for 96.3% of total population growth.

The State continues to have a distinctive demographic profile that includes the nation's youngest population, highest fertility rate, largest household size, and low mortality rates. According to the U.S. Census Bureau, the State was the second fastest growing state in the nation during 2009 with a rate of 2.1%. Wyoming ranked first followed by Utah, Texas, Colorado, and the District of Columbia.

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State Population

Year	Population	% Change From Prior Period
2009 Estimate (1)	2,784,572	24.7%
2000 Census	2,233,169	29.6
1990 Census	1,722,850	17.9
1980 Census	1,461,037	37.9
1970 Census	1,059,273	18.9
1960 Census	890,627	29.3
1950 Census	688,862	25.2
1940 Census	550,310	8.4

(1) U.S. Bureau of the Census, July 1, 2009.

(Source: 2009 ERG and the Utah Population Estimates Committee.)

Components of Population Change in the State

Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2009	54,548	13,785	42,310	1,547	42,310
2008	55,357	13,780	41,577	16,648	58,225
2007	53,953	13,780	40,173	44,252	84,425
2006	52,368	13,358	39,010	28,730	67,740
2005	50,431	12,919	37,512	40,647	78,159
2004	50,527	13,282	37,245	18,367	55,612
2003	49,518	12,798	36,720	18,568	55,288
2002	48,041	12,662	35,379	17,299	52,678
2001	47,688	12,437	35,251	23,848	59,099
2000	46,880	11,953	34,927	18,612	53,539

(Source: 2009 ERG and the Utah Population Estimates Committee.)

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Significant Characteristics of the State's Population

Category	Ranking (1)	Comments
Population growth (2008to 2009)	2nd (2.1% growth rate)	out of 50 states
State population (July 1, 2008)	34th	out of 50 states
Pre–school age (under five years old)	1st	9.8%
School age (five to 17)	1st	21.2%
Working age (18 to 64)	50th	60.0%
Retirement age (over age 65)	49th	9.0%
Median age (July 1, 2008)	1st	28.7 years
Dependency ratio (July 1, 2008)	1st	66.8 per 100 of working age
Fertility rate (2006)	1st	2.63 births/woman
Death rate (2006)	50th	5.4 deaths/1,000 population
Life expectancy (2000)	3rd	78.6 years
Urban status	10th	88.3% urban
Household size (2008)	1st	3.15 persons

(1) Rankings are from least favorable to most favorable, highest to lowest. Rankings are based on the most current national data available for all states.

(Source: 2009 ERG and GOPB.)

Employment, Wages And Labor Force

The State's labor market was negatively impacted by the national recession which began in December 2007. The estimated 2009 job loss of 4.9% was the State's largest single–year employment contraction in the post–World War II era.

As 2009 drew to a close, there were signs that the nation was beginning to recover from the depth of the recession. U.S. gross domestic product ("GDP") began growing in the third quarter 2009, after four consecutive quarters of decline. The nation's GDP is increasing, however employment will be slow to respond because there is a historic delay between a return of production and a return to employment growth.

It is estimated that year–over employment growth in the State will begin during the first half of 2010 and increase throughout the rest of the year. Nonetheless, early job losses will outweigh later job gains, resulting in a net job loss of 1.8% for the year.

Current Unemployment Rates (seasonally adjusted)

Current Unemployment Rate	State	U.S.
June 2010	7.2%	9.5%
June 2009	6.8	9.5

(Source: Utah Department of Workforce Services.)

Average Annual Employment and Unemployment Rate for Utah and the U.S.

	Utah		Unemployment Rate		Utah Unemployment Rate as % of
Year	Civilian Labor Force	Total Employed	Utah	U.S.	U.S. Rate
2010 (f)	1,401,800	1,306,700	6.8%	10.0%	68.0%
2009 (e)	1,380,500	1,291,400	6.5	9.2	70.7
2008	1,383,743	1,336,156	3.4	5.8	58.6
2007	1,356,550	1,319,784	2.7	4.6	58.7
2006	1,318,473	1,279,453	3.0	4.6	65.2
2005	1,268,075	1,214,150	4.3	5.1	84.3
2004	1,203,459	1,140,498	5.2	5.5	95.0
2003	1,188,279	1,121,088	5.7	6.0	94.2
2002	1,174,582	1,107,379	5.7	5.8	98.3
2001	1,153,387	1,103,028	4.4	4.8	91.7
2000	1,133,870	1,095,657	3.4	4.0	85.0
1999	1,120,591	1,080,441	3.6	4.2	85.7
1998	1,101,972	1,061,282	3.7	4.5	82.2

(f) forecast; (e) estimate.

(Source: Utah Department of Workforce Services; GOPB; 2010 ERG.)

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Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

Selected Years

	2010 (f)	2009 (e)	2008	2007	2006	% Change 2007–08	% Change 2006–07	% Change 2005–06	% Change 2004–05
Civilian labor force	1,401,800	1,380,500	1,383,743	1,356,550	1,318,473	1.5	(0.2)	2.0	2.9
Employed persons	1,306,700	1,291,400	1,336,156	1,319,784	1,279,453	1.2	(3.3)	1.2	3.2
Unemployed persons	95,100	89,100	47,587	36,766	39,020	6.7	87.2	29.4	(5.8)
Unemployment rate (%)	6.8	6.5	3.4	2.7	3.0	–	–	–	–
U.S. unemployment rate (%)	10.0	9.2	5.8	4.6	4.6	–	–	–	–
Total nonfarm jobs	1,170,400	1,191,600	1,252,573	1,251,282	1,203,629	(1.8)	(4.9)	0.1	4.0
Mining	10,000	10,800	12,507	11,034	10,024	(7.4)	(13.6)	13.3	10.1
Construction	60,500	70,000	90,469	103,450	95,162	(13.6)	(22.6)	(12.5)	8.7
Manufacturing	106,200	113,000	125,852	127,695	123,064	(6.0)	(10.2)	(1.4)	3.8
Trade, transportation, utilities	232,400	235,200	247,983	245,672	234,797	(1.2)	(5.2)	0.9	4.6
Information	29,000	29,700	30,746	32,448	32,541	(2.4)	(3.4)	(5.2)	(0.3)
Financial activity	70,700	71,400	74,053	74,739	71,469	(1.0)	(3.6)	(0.9)	4.6
Professional and business services	143,200	148,700	162,189	161,022	154,834	(3.7)	(8.3)	0.7	4.0
Education and health services	158,300	152,600	146,619	139,991	134,410	3.7	4.1	4.7	4.2
Leisure and hospitality	110,000	111,300	114,817	112,821	108,477	(1.2)	(3.1)	1.8	4.0
Other services	34,500	34,400	35,629	35,542	34,651	0.3	(3.4)	0.2	2.6
Government	215,600	214,500	211,709	206,868	204,483	0.5	1.3	2.3	1.2
Goods–producing	176,700	193,800	228,828	242,179	228,250	(8.8)	(15.3)	(5.5)	6.1
Service–producing	993,700	997,800	1,023,745	1,009,103	975,662	(0.4)	(2.5)	1.5	3.4
% Service–producing	84.9%	83.7%	81.7%	80.6%	81.0%	–	–	–	–
U.S. nonagricultural job growth	(1.5)%	(0.1)%	1.1%	1.8%	1.7%	–	–	–	–
Total nonagricultural wages (millions)	$44,870	$45,000	$46,913	$45,691	$41,647	(0.3)	(4.1)	2.7	9.7
Average annual wage	$38,337	$37,764	$37,453	$36,515	$34,593	1.5	0.8	2.6	5.6
Average monthly wage	$3,195	$3,147	$3,121	$3,043	$2,883	1.5	0.8	2.6	5.5
Establishments (first quarter)	83,800	83,300	85,006	83,292	82,875	–	–	–	–

(f) forecast; (e) estimated.

(Source: Utah Deparment of Employment Services, 2009 ERG and GOPB.)

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
Intermountain Health Care	Healthcare	20,000+
State of Utah	State government	20,000+
Brigham Young University	Higher education	15,000–20,000
University of Utah (including Hospital)	Higher education	15,000–20,000
Wal–Mart Stores	Department store	15,000–20,000
Hill Air Force Base	Military installation	10,000–15,000
Davis School District	Public education	7,000–10,000
Granite School District	Public education	7,000–10,000
Jordan School District.	Public education	7,000–10,000
Alpine School District	Public education	5,000–7,000
Kroger Group Cooperative	Retail stores	5,000–7,000
Salt Lake County	County government	5,000–7,000
U.S. Department of Treasury	Federal government	5,000–7,000
U.S. Postal Service	Mail distribution	5,000–7,000
Utah State University	Higher education	5,000–7,000
Albertson's	Food stores	4,000–5,000
ATK Thiokol	Aerospace equip. manufacturing	4,000–5,000
Zions First National Bank	Banking	4,000–5,000
Autoliv Asp (Morton International)	Auto components manufacturing	3,000–4,000
Convergys	Telemarketing	3,000–4,000
Delta Airlines Inc.	Air transportation	3,000–4,000
Home Depot	Building supply store	3,000–4,000
Nebo School District	Public education	3,000–4,000
Salt Lake City	Local government	3,000–4,000
Salt Lake City School District	Public education	3,000–4,000
Skywest Airlines	Air transportation	3,000–4,000
United Parcel Service	Courier service	3,000–4,000
Weber County School District	Public education	3,000–4,000
Wells Fargo Bank N.A.	Banking	3,000–4,000
ARUP	Medical laboratory	2,000–3,000
Costco Wholesale	Retail warehouse club	2,000–3,000
Discover Products	Consumer loans	2,000–3,000
Harmons	Grocery stores	2,000–3,000
L3 Communications	Electronic manufacturing	2,000–3,000
Sizzler Office	Restaurants	2,000–3,000
Macey's	Grocery stores	2,000–3,000
Qwest Corporation	Telephone service/communications	2,000–3,000
Rocky Mountain Power	Electric generation/distribution	2,000–3,000
Salt Lake Community College	Higher education	2,000–3,000
Target Corporation	Discount department store	2,000–3,000
Teleperformance USA	Telemarketing	2,000–3,000
Utah Valley State College	Higher education	2,000–3,000
Washington County School District	Public education	2,000–3,000
Weber State University	Higher education	2,000–3,000

(1) As of 2008. Includes those firms with 2,000 to 3,000 and more employees. The Church of Jesus Christ of Latter–day Saints Church remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: Utah Department of Workforce Services; 2010 ERG.)

Personal Income

In 2009, the State's total personal income was an estimated $86.3 billion, a 1.3% decrease from the 2008 estimate of $87.4 billion. The State fared somewhat better than the nation, which experienced a decline in total personal income of 2.2% in 2009. These declines at both the state and national levels reflect the economic recession that began in December 2007. The main business cycle indicators (industrial production, real income, employment, and retail sales) all dropped below the average decline of the past six recessions.

The State's estimated 2009 per capita income was approximately $30,758 down 3.9% from the 2008 level of $31,994. The State's per capita income was only 79.2% of the national per capita income in 2009, one of the lowest percentage of the past 15 years. The State's per capita income remains weak against the national average primarily as a result of two factors: (i) the State's average wages are generally below the national average due to the youth of the State's labor force; and, (ii) the State's population is the nation's youngest, its household size is the largest, and, State residents have larger size families.

Total Personal Income (in millions)

	Utah		United States	
Year	Amount	% Change	Amount	% Change
2009 (e)	$86,275	(1.3)%	$11,956,626	(2.2)%
2008	87,411	3.2	12,225,589	2.9
2007	84,709	8.1	11,879,836	5.5
2006	78,382	9.6	11,256,516	7.4
2005	71,533	9.3	10,476,669	5.5
2004	65,453	6.5	9,928,790	6.0
2003	61,487	2.7	9,369,072	3.5
2002	59,874	2.3	9,054,781	2.0
2001	58,505	6.3	8,878,830	3.8
2000	55,025	8.8	8,554,866	8.2
1995	37,795	–	6,194,245	–
1990	25,704	–	4,831,282	–
1985	19,593	–	3,482,520	–
1980	12,506	–	2,292,903	–

(e) estimate.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA").)

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Components of the State's Total Personal Income

	2008 (p)	2007 (r)	2006	2005	2004	% change 2007–08	% change 2006–07	% change 2005–06
	(in millions)							
Personal income	$87,411	$84,709	$75,598	$69,747	$63,565	3.2	12.1	8.4
Earnings by place of work	69,933	68,376	61,825	56,649	52,435	2.3	10.6	9.1
less: Contributions for government social insurance	7,974	7,767	6,927	6,290	5,807	2.7	12.1	10.1
plus: Adjustment for residence	41	36	52	40	26	13.9	(30.8)	30.0
equals: Net earnings by place of residence	6,200	60,645	54,950	50,398	46,653	(89.8)	10.4	9.0
plus: Dividends, interest, and rent	15,288	14,880	12,184	11,554	9,749	2.7	22.1	5.5
plus: Personal current transfer receipts	10,124	9,184	8,464	7,795	7,163	10.2	8.5	8.6
Components of earnings	69,934	68,376	61,825	56,649	52,435	2.3	10.6	9.1
Wage and salary disbursements	50,680	49,375	44,166	40,094	37,331	2.6	11.8	10.2
Supplements to wages and salaries	12,114	11,779	10,843	10,143	9,258	2.8	8.6	6.9
Proprietors' income	7,139	7,221	6,816	6,411	5,846	(1.1)	5.9	6.3
Farm proprietors' income	66	29	–	–	–	127.6	–	–
nonfarm proprietors' income	7,073	7,192	–	–	–	(1.7)	–	–
Earnings by industry	69,933	68,376	61,825	56,649	52,435	2.3	10.6	9.1
Farm earnings	233	203	110	246	279	14.8	84.5	(55.3)
Nonfarm earnings	69,699	68,173	61,715	56,402	52,156	2.2	10.5	9.4
Private earnings	57,052	56,139	50,494	45,706	42,087	1.6	11.2	10.5
Natural resources and mining	1,285	1,121	–	–	–	14.6	–	–
Construction	5,718	6,289	5,334	4,452	3,844	(9.1)	17.9	19.8
Manufacturing	8,043	7,692	7,433	6,744	6,484	4.6	3.5	10.2
Durable goods	5,530	5,324	–	–	–	3.9	–	–
Nondurable goods	2,513	2,367	–	–	–	6.2	–	–
Trade, transportation, utilities	12,236	12,234	–	–	–	0.0	–	–
Wholesale trade	3,343	3,217	2,855	2,593	2,336	3.9	12.7	10.1
Retail trade	5,413	5,470	4,679	4,257	4,001	(1.0)	16.9	9.9
Information	1,880	1,859	1,807	1,828	1,603	1.1	2.9	(1.1)
Financial activities	5,243	5,274	–	–	–	(0.6)	–	–
Professional and business services	10,262	9,787	–	–	–	4.9	–	–
Educational and health services	6,746	6,344	947	871	786	6.3	569.9	8.7
Leisure and hospitality	2,654	2,530	–	–	–	4.9	–	–
Other services	3,184	3,010	2,364	2,238	2,240	5.8	27.3	5.6
Mining	–	–	1,021	782	657	–	–	30.6
Forestry, fishing, related activities, and other	–	–	61	54	51	–	–	13.0
Utilities	–	–	474	420	408	–	–	12.9
Transportation and warehousing	–	–	2,569	2,491	2,340	–	–	3.1
Finance and insurance	–	–	3,584	3,273	3,089	–	–	9.5
Real estate and rental and leasing	–	–	1,394	1,306	1,109	–	–	6.7
Professional and technical services	–	–	5,555	4,999	4,465	–	–	11.1
Management of companies and enterprises	–	–	1,300	1,175	1,074	–	–	10.6
Administrative and waste services	–	–	2,246	1,975	1,808	–	–	13.7
Educational services	–	–	947	871	786	–	–	8.7
Health care and social assistance	–	–	4,691	4,295	3,965	–	–	9.2
Arts, entertainment and recreation	–	–	548	489	462	–	–	12.1
Accommodations and food services	–	–	1,631	1,465	1,366	–	–	11.3
Government and government enterprises	12,647	12,034	11,221	10,696	10,069	5.1	7.2	4.9
Federal, civilian	3,142	3,136	3,001	2,828	2,653	0.2	4.5	6.1
Military	949	911	906	927	833	4.2	0.6	(2.3)
State	3,886	3,646	–	–	–	6.6	–	–
Local	4,670	4,341	–	–	–	7.6	–	–
State and local	–	–	7,314	6,941	6,582	–	–	5.4

(p) preliminary; (r) revised.

(Source: BEA.)

Per Capita Personal Income

Year	Income Per Capita		Annual % Change		Utah as a %
	Utah	U.S.	Utah	U.S.	of U.S.
2009 (e)	$30,758	$38,845	(3.7)%	(3.4)%	79.2%
2008	31,944	40,208	0.6	2.0	79.4
2007	31,739	39,430	4.7	4.5	80.5
2006	30,320	37,728	6.0	6.4	80.4
2005	28,599	35,447	6.6	4.6	80.7
2004	26,827	33,899	3.9	5.0	79.1
2003	25,830	32,284	0.7	2.6	80.0
2002	25,648	31,470	0.4	1.0	81.5
2001	25,536	31,149	4.1	2.7	82.0
2000	24,519	30,318	6.9	7.0	80.9
1995	18,478	23,262	–	–	80.7
1990	14,847	19,354	–	–	76.7
1985	11,926	14,637	–	–	81.5
1980	8,492	10,091	–	–	84.2

(e) estimate.

(Source: BEA and GOPB.)

Gross Domestic Product

Gross Domestic Product ("GDP") is the value of final goods and services produced by the labor and property located in a geographic area. GDP is gross output less intermediate inputs, and as such it measures the economic activity within an area.

Total Gross Domestic Product
(in millions of current dollars)

Year	Utah		United States	
	Amount	% Change	Amount	% Change
2008	$109,777	4.0%	$14,165,565	3.3%
2007	105,574	7.4	13,715,741	4.8
2006	98,289	10.3	13,090,776	6.1
2005	89,125	10.2	12,339,002	6.3
2004	80,889	7.2	11,607,041	6.6
2003	75,428	3.8	10,886,172	4.7
2002	72,665	3.6	10,398,402	3.4
2001	70,109	3.8	10,058,168	3.2
2000	67,568	5.8	9,749,103	6.0
1999	63,834	6.1	9,201,140	6.0

(Source: BEA.)

Gross Taxable Sales

Taxable sales are comprised of three major components: retail trade, business investments and utility taxable sales, and taxable services. In 2009, total taxable sales in the State decreased by 8.7% to an estimated $43.3 billion. This is the second consecutive year of decline in taxable sales.

Retail trade taxable sales were an estimated $24.3 billion in 2009, representing 56.2% of taxable sales. This is an 8.3% decrease from 2008, the worst contraction on record. Retail trade is projected to grow by 2.2% in 2010. Business investment and utility taxable sales were an estimated $11.1 billion in 2009, representing 25.6% of taxable sales. This is a decrease of 12.3% over 2008. This sector is expected to fall another 2.7% in 2010. Taxable services were estimated at $6.8 billion for 2009, representing 15.8% of all taxable sales—a 0.2% increase over 2008. Taxable services are expected to increase by 1.4% in 2010.

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Gross Taxable Sales

(millions of dollars)

Calendar Year	Retail Sales	% Change	Business Investment Purchases	% Change	Taxable Services	% Change	All Other	% Change	Total Gross Taxable Sales	% Change
2011 (f)….	$24,820	3.1 %	$11,215	2.3 %	$7,135	3.6 %	$1,361	2.6 %	$ 44,531	3.0 %
2010 (e)….	24,074	(6.0)	10,963	(1.5)	6,887	8.5	1,327	0.5	43,251	(2.6)
2009………	25,610	(3.4)	11,130	(12.3)	6,348	(7.2)	1,321	(0.8)	44,409	(6.2)
2008………	26,501	(0.0)	12,691	(3.4)	6,837	11.7	1,331	(31.1)	47,360	(0.7)
2007………	26,504	6.1	13,136	4.7	6,119	7.9	1,931	19.9	47,690	6.5
2006………	24,969	12.7	12,546	18.6	5,670	10.4	1,610	17.3	44,795	14.2
2005………	22,155	8.9	10,579	16.0	5,135	13.3	1,372	5.1	39,241	11.1
2004………	20,351	8.2	9,121	15.3	4,534	3.1	1,305	(9.8)	35,311	8.4
2003………	18,808	2.5	7,909	(1.6)	4,396	(4.7)	1,447	(3.7)	32,560	0.1
2002 …….	18,356	3.4	8,039	(6.4)	4,615	(2.0)	1,502	8.8	32,512	0.3

(f) forecast; (e) estimate.

(Source: Utah State Tax Commission)

Tax Collections

This section was updated by GOPB in August 2010.

General and Education Fund ("GF/EF") revenue for Fiscal Year 2009 collapsed 12.5% over 2008, reflecting the sudden and severe economic recession. In Fiscal Year 2008, GF/EF revenue declined 1.8% due to a combination of changes in the tax system and a weakening economy. For perspective, during the previous expansion, revenue grew 5.6%, 12.3%, 19.1%, and 9.6%, double and even quintuple the average annual growth rate from 1971 to 2009 of 4.2%.

GF/EF year–end revenue collections for Fiscal Year 2009 were near forecast expectations, with the revenue forecast being off projection by 0.7%. Revenue was expected to fall more than $683.9 million (13.1%) between Fiscal Year 2008 and Fiscal Year 2009; collections actually fell $651.5 million (12.5%).

The outlook for tax collections in Fiscal Year 2010 is bleak. The recession is expected to further weaken tax collections, but at slower rates as the economy begins to stabilize. The State is expected to collect $341.3 million (7.5%) less in Fiscal Year 2010 than it did in Fiscal Year 2009. General Fund collections are expected to decline $165.9 million (8.6%). Education Fund collections are expected to decline $175.4 million (6.7%). With the accounting of Fiscal Year 2010 revenue near complete, aggregate collections appear to be within 1% of the forecast.

Tax collections in Fiscal Year 2011 should improve moderately. Reflecting the subdued economic recovery, forecast expectation prior to Legislative tax changes and shifts in earmarks foresees Fiscal Year 2011 GF/EF revenue growing 3.3%. Policy changes result in: $113 million in sales tax being diverted from an earmark for roads back to the General Fund; $43 million from raising the tobacco tax; $12 million additional money from a tobacco settlement and sundry other changes. After these policy changes, the State expects to realize $309.3 million (7.3%) more in Fiscal Year 2011 than it did in Fiscal Year 2010. Largely due to temporary policy shifts, General Fund collections are expected to grow $226.4 million (12.8%). Education Fund collections are expected to grow $82.9 million (3.4%).

Construction

The value of permit authorized construction in the State in 2009 was $3.5 billion, the lowest since 1996. In the past 12 months, the value of permit authorized construction has fallen 25%. In inflation–adjusted dollars, the value of authorized construction is at the lowest level since 1992. The sharp decline in 2009 was led by the severe contraction in nonresidential construction, which fell from $1.9 billion in 2008 to $1.2 billion in 2009, a 37% decline. In addition, the weakness of the residential sector continued although the residential decline appears to be slowing. In 2008 the value of residential construction dropped by 53%, and dropped by 16% in 2009. The value of residential construction in 2009 was $1.6 billion.

In terms of units, residential construction dropped from 20,500 in 2007 to 10,603 in 2008 and to 10,150 in 2009. The decline of the residential sector was slowed by the unexpected jump in new apartment construction, which grew more than 80%. The surge in apartment construction was due to the availability of financing. The federal government provided loan guarantees for the development of new apartments, thus spurring construction activity. In contrast, the value for new condominium and single–family detached housing was lower than in 2008, forced down in part by the growing share of lower–priced homes and condominiums. Affordability has become a key concern for both home builders and home buyers.

Permit–Authorized Construction

Year	Total Units	Construction Value (millions of dollars) Residential	Nonresidential	Renovations	Total Valuation
2009 (e)	10,150	$1,570.0	$1,200.0	$650.0	$3,420.0
2008	10,603	1,877.0	1,919.1	781.2	4,577.3
2007	20,539	3,963.2	2,051.0	979.7	6,994.4
2006	26,322	4,955.5	1,588.0	865.3	7,408.8
2005	28,285	4,662.6	1,217.8	707.6	6,558.0
2004	24,293	3,552.6	1,089.9	476.0	5,118.5
2003	22,836	3,046.4	1,017.4	497.0	4,560.8
2002	19,941	2,491.9	897.0	393.0	3,782.0
2001	19,675	2,352.7	970.0	562.8	3,885.4
2000	18,154	2,140.1	1,123.0	583.3	3,936.0

(e) estimate.

(Source: 2009 ERG and the GOPB.)

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Chapman and Cutler LLP, Bond Counsel, proposes to issue their final approving opinion in substantially the following form:

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

Re: $1,034,970,000
State of Utah

$412,990,000 General Obligation Bonds Series 2010A	$621,980,000 Federally Taxable General Obligation Bonds Series 2010B (Issuer Subsidy–Build America Bonds)

We hereby certify that we have examined certified copy of the proceedings of the State Bonding Commission of the State of Utah taken on July 26, 2010 and on September 23, 2010 (collectively, the *"Bond Resolution"*) authorizing the issuance by the State of Utah (the *"State"*) of its (a) General Obligation Bonds, Series 2010A (the *"Series 2010A Bonds"*), in the amount of $412,990,000 and (b) Federally Taxable General Obligation Bonds, Series 2010B (Issuer Subsidy–Build America Bonds) (the *"Series 2010B Bonds"* and, collectively with the Series 2010A Bonds, the *"Bonds"*), in the amount of $621,980,000, each dated as of the date hereof, being in fully-registered form, in denominations of $5,000 and any whole multiple thereof, due on July 1 of each of the years, in the amounts and bearing interest as follows:

SERIES 2010A BONDS

MATURITY (JULY 1)	AMOUNT	INTEREST RATES
2011	$ 39,600,000	4.000%
2012	9,965,000	2.000
2012	40,280,000	5.000
2013	1,200,000	3.000
2013	54,235,000	5.000
2014	2,990,000	3.000
2014	55,045,000	5.000
2015	1,000,000	1.750
2015	5,725,000	3.000
2015	82,910,000	5.000
2016	3,165,000	3.000
2016	10,000,000	4.000
2016	67,960,000	5.000
2017	3,915,000	3.000
2017	35,000,000	4.000

SERIES 2010B BONDS

JULY 1 OF THE YEAR	AMOUNT MATURING	INTEREST RATE PER ANNUM
2019	$ 29,470,000	3.189%
2020	101,775,000	3.289
2021	102,480,000	3.369
2025	388,255,000	3.539

The Bonds are subject to redemption prior to maturity at the times, in the manner and on the terms and conditions set forth in each of the Bonds. We are of the opinion that such proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Utah now in force.

We further certify that we have examined the form of bond prescribed in the proceedings authorizing the issuance of the Bonds and find the same in due form of law. In our opinion, each of the Bonds, to the amount named, are valid and legally binding upon the State and all taxable property in the State is subject to the levy of taxes to pay the same without limitation as to rate or amount. It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that enforcement of the rights of the owners of the Bonds may also be subject to the exercise of judicial discretion in appropriate cases.

It is our opinion that, subject to the State's compliance with certain covenants, under present law, interest on the Series 2010A Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes; (b) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*) and (c) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such State covenants could cause interest on the Series 2010A Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2010A Bonds. Ownership of the Series 2010A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2010A Bonds.

It is also our opinion that under present law, interest on the Series 2010B Bonds is includable in gross income of the owners thereof for federal income tax purposes. Ownership of the Series 2010B Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Series 2010B Bonds.

It is further our opinion that under the existing laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. No opinion is expressed with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers; we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the State with respect to certain material facts within the State's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING
for the purpose of providing
continuing disclosure information
under section (b)(5) of rule 15c2-12

September 30, 2010

This Continuing Disclosure Undertaking (the "Agreement") is executed and delivered by the State of Utah (the "State") in connection with the issuance of (a) $412,990,000 General Obligation Bonds, Series 2010A (the "Series 2010A Bonds"), and (b) $621,980,000 Federally Taxable General Obligation Bonds, Series 2010B (Issuer Subsidy-Build America Bonds) (the "Series 2010B Bonds" and, collectively with the Series 2010A Bonds, the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the State Bonding Commission (the "Commission") on July 26 2010, and September 23, 2010 (collectively, the "Resolution").

In consideration of the issuance of the Bonds by the State and the purchase of such Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

Section 1. Purpose of This Agreement. This Agreement is executed and delivered by the State as of the date set forth above, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

"Annual Financial Information" means the financial information and operating data described in Exhibit A.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the audited financial statements of the State prepared pursuant to the standards and as described in Exhibit A.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent's successors and assigns.

"EMMA" means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Material Event" means the occurrence of any of the Events with respect to the Bonds set forth in Exhibit B that is material, as materiality is interpreted under the Exchange Act.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 5.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means each broker, dealer, or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"Undertaking" means the obligations of the State pursuant to Sections 4 and 5.

Section 3. CUSIP Number/Final Official Statement. The CUSIP Numbers of the Bonds are as set forth below:

General Obligation Bonds, Series 2010A

Year of Maturity	Amount	Interest Rate	CUSIP Number
07/01/2011	$39,600,000	4.00%	917542RA2
07/01/2012	40,280,000	5.00	917542RF1
07/01/2012	9,965,000	2.00	917542RB0
07/01/2013	54,235,000	5.00	917542RD6
07/01/2013	1,200,000	3.00	917542QX3
07/01/2014	55,045,000	5.00	917542RE4
07/01/2014	2,990,000	3.00	917542QY1
07/01/2015	1,000,000	1.75	917542RH7
07/01/2015	82,910,000	5.00	917542RK0
07/01/2015	5,725,000	3.00	917542RJ3
07/01/2016	10,000,000	4.00	917542RL8
07/01/2016	67,960,000	5.00	917542RM6
07/01/2016	3,165,000	3.00	917542QZ8
07/01/2017	35,000,000	4.00	917542RG9
07/01/2017	3,915,000	3.00	917542RC8

Federally Taxable General Obligation Bonds, Series 2010B
(Issuer Subsidy-Build America Bonds)

Year of Maturity	Amount	Interest Rate	CUSIP Number
07/01/2019	$29,470,000	3.189%	917542QW5
07/01/2020	101,775,000	3.289	917542QT2
07/01/2021	102,480,000	3.369	917542QU9
07/01/2025	388,255,000	3.539	917542QV7

The Final Official Statement relating to the Bonds is dated September 23, 2010 (the "Final Official Statement"). The State will include the CUSIP Numbers in all disclosure described in Sections 4 and 5 of this Agreement.

Section 4. Annual Financial Information Disclosure. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its

Audited Financial Statements (in the form and by the dates set forth in Exhibit A) to EMMA in an electronic format and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate in a timely manner Material Events Disclosure to EMMA in an electronic format. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

Section 6. Consequences of Failure of the State to Provide Information. The State shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the State to provide the information as required by this Agreement. A default under this Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

Section 7. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the State, or type of business conducted; or

(b) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the State (such as Bond Counsel) at the time of the amendment.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the State shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

Section 8. Termination of Undertaking. The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Resolution. The State shall give notice to EMMA in a timely manner if this Section is applicable.

Section 9. Dissemination Agent. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Additional Information. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

Section 11. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 12. Recordkeeping. The State shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 13. Assignment. The State shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

Section 14. Governing Law. This Agreement shall be governed by the laws of the State of Utah.

DATED as of the day and year first above written.

STATE OF UTAH

By:____________________________________

Richard K. Ellis, State Treasurer
Utah State Capital Complex
350 North State Street, Suite C-180
Salt Lake City, Utah 84114-2315

EXHIBIT A

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data for the most recently ended fiscal year generally consistent with and of the type contained in the Official Statement under the headings: "DEBT STRUCTURE OF THE STATE OF UTAH" and "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH."

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to EMMA not later than the January 15 following the end of the State's fiscal year, which currently ends on June 30, beginning with the fiscal year ended June 30, 2010. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared in conformity with generally accepted accounting principals as prescribed by the Governmental Accounting Standards Board, or any successor thereto. Audited Financial Statements will be provided to EMMA within 30 days after availability to the State.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

EXHIBIT B

EVENTS WITH RESPECT TO THE BONDS
FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

(1) Principal and interest payment delinquencies

(2) Non-payment related defaults

(3) Unscheduled draws on debt service reserves reflecting financial difficulties

(4) Unscheduled draws on credit enhancements reflecting financial difficulties

(5) Substitution of credit or liquidity providers, or their failure to perform

(6) Adverse tax opinions or events affecting the tax-exempt status of the security

(7) Modifications to the rights of security holders

(8) Bond calls

(9) Defeasances

(10) Release, substitution or sale of property securing repayment of the securities

(11) Rating changes

APPENDIX F

BOOK–ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information in this section concerning DTC, DTC's book–entry system and the global clearance procedures of Clearstream Banking, société anonyme, Luxembourg ("Clearstream Banking"), and the Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"), has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy or completeness thereof. The State cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds (b) bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Book–Entry Only System

DTC, the world's largest securities depository, is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com and dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book–entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the State or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book–entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Global Clearance Procedures

Clearstream Banking and Euroclear. The 2010B Bonds sold in offshore transactions will be initially issued to investors through the book–entry facilities of DTC, or Clearstream Banking and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date, but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross–market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross–market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

Clearstream Banking is incorporated under the laws of Luxembourg as a professional depository. Clearstream Banking holds securities for its participating organizations ("Clearstream Banking Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Banking Participants through electronic book–entry changes in accounts of Clearstream Banking Participants, thereby eliminating the need for physical movement of certificates. Clearstream Banking provides to its Clearstream Banking Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Banking interfaces with domestic markets in several countries. As a professional depository, Clearstream Banking is subject to regulation by the Luxembourg Monetary Institute. Clearstream Banking Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream Banking is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Banking Participant, either directly or indirectly.

Euroclear was created to hold securities for participants of the Euroclear system ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book–entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear system includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross–market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks, securities brokers and dealers and other professional financial intermediaries). Indirect access to the Euroclear system is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear Systems and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within the Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments with respect to securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants.

The State cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants of DTC, Clearstream Banking, Clearstream Banking Participants, Euroclear or Euroclear Participants will distribute to the Beneficial Owners of the Bonds (i) payment of principal of or interest on the Bonds (ii) confirmations of their ownership interests in the Bonds or (iii) other notices sent to DTC or CEDE & Co., its partnership nomi-

nee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants, Clearstream Banking, Clearstream Banking Participants, Euroclear or Euroclear Participants will serve and act in the manner described in this OFFICIAL STATEMENT.

The State does not have any responsibility or obligation to DTC, the Direct Participants or Indirect Participants of DTC, Clearstream Banking, Clearstream Banking Participants, Euroclear or Euroclear Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintain by DTC or any Direct Participants or Indirect Participants of DTC, Clearstream Banking, Clearstream Banking Participants, Euroclear or Euroclear Participants; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC, Clearstream Banking, Clearstream Banking Participants, Euroclear or Euroclear Participants of any amount due to any Beneficial owner in respect of the principal amount of or interest on Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC, Clearstream Banking, Clearstream Banking Participants, Euroclear or Euroclear Participants of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Resolution; or (4) any consent given or other action taken by DTC as owner of the Bonds.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream Banking and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking and Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream Banking and the Euroclear Operator acts as depository for Euroclear (the "U.S. Depositories").

Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream Banking or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems.

Investors electing to hold their Bonds through Euroclear or Clearstream Banking accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream Banking holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream Banking will be credited to the cash accounts of Clearstream Banking customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream Banking or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream Banking customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Issuers (other than U.S. Depositaries) will be settled using the procedures applicable to U.S. corporate debt obligations in same–day funds.

Secondary market trading between Euroclear Participants and/or Clearstream Banking customers will be settled using the procedures applicable to conventional Eurobonds in same–day funds.

When securities are to be transferred from the account of an Issuer (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream Banking customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream Banking, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Issuer's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream Banking customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back–valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream Banking cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream Banking customers will need to make available to the respective clearing systems the funds necessary to process same–day funds settlement. The most direct means of doing so is to pre–position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream Banking. Under this approach, they may take on credit exposure to Euroclear or Clearstream Banking until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream Banking has extended a line of credit to them, participants/customers can elect not to pre–position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream Banking customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds.

Because the settlement is taking place during New York business hours, Issuers can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream Banking customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Issuer, a cross–market transaction will settle no differently from a trade between two Issuers.

Due to time zone differences in their favor, Euroclear Participants and Clearstream Banking customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Issuer's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Issuer's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream Banking customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream Banking customers' accounts will be back–valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream Banking customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back–valuation may substantially reduce or offset any overdraft charges incurred over that one–day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream Banking customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream Banking and Euroclear have agreed to these procedures to facilitate transfers of securities among DTC and its Issuers, Clearstream Banking and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

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APPENDIX G

PRINCIPAL PAYDOWN FACTOR TABLE
PRO RATA PSSS–THROUGH DISTRIBUTION OF PRINCIPAL

Redemption/ Principal Paydown Dates	Mandatory Sinking Fund/Paydown Amounts[1]	Paydown Amount per $1,000	Remaining Balance per $1,000	Paydown Factor	Remaining Bond Factor
Original	$ –	$ –	$1,000.00	–	1.000000
July 1, 2022	103,250,000	265.93	734.07	0.265933	0.734067
July 1, 2023	104,160,000	268.28	465.79	0.268277	0.465789
July 1, 2024	104,430,000	268.97	196.82	0.268973	0.196817
July 1, 2025	76,415,000	196.82	0.00	0.196817	0.000000
Total	$388,255,000				

[1] Subject to change in the event of certain optional redemptions of 2010B Bonds and subject to DTC's (or other securities depository) operational procedures on the date such mandatory sinking fund redemption payments are due.

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