New Issue

Ratings: Moody's "Aa1"; Standard & Poor's "AA+"
See "MISCELLANEOUS—Bond Ratings" herein.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the 2003 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. Bond Counsel is also of the opinion that interest on the 2003 Bonds is exempt from State of Utah individual income taxes under currently existing law. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2003 Bonds. See "LEGAL MATTERS—Tax Exemption" herein.

State of Utah, State Building Ownership Authority

$22,725,000 Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2003

payable from annually renewable lease payments to be made by the

State of Utah

pursuant to a State Facilities Master Lease Agreement, as amended and supplemented (the "Lease")

The 2003 Bonds are issued by the State of Utah, State Building Ownership Authority (the "Authority"), a body corporate and politic of the State of Utah (the "State"), are issuable only as fully–registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2003 Bonds. Principal of and interest on the 2003 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2004) are payable by Wells Fargo Bank Northwest, National Association, Corporate Trust Services, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof. See "THE 2003 Bonds—Book–Entry System" herein.

The 2003 Bonds are subject to optional redemption and extraordinary optional redemption (in the event of damage to, or destruction or condemnation of the 2003 Facilities) prior to maturity. See "THE MORTGAGED FACILITIES—The 2003 Facilities" and "THE 2003 BONDS—Redemption Provisions For The 2003 Bonds" herein.

The 2003 Bonds are being issued to finance a portion of the cost of refunding certain lease revenue bonds, the acquisition of real estate, and the acquisition, construction and equipping of certain building facilities and paying the costs associated with the issuance of the 2003 Bonds. The 2003 Bonds and certain Bonds previously issued by the Authority are parts of an ongoing master lease and building program whereby all Bonds issued thereunder are equally and ratably secured and cross–collateralized by the several facilities constructed through this program (the "Mortgaged Facilities").

Under the Lease, the State has agreed to pay Base Rentals, as defined herein, which are sufficient to pay the principal of and interest on the 2003 Bonds and the Prior Parity Bonds, coming due in each year, but only if and to the extent that the Utah State Legislature annually appropriates funds sufficient to pay such Base Rentals plus such Additional Rentals as are necessary to operate and maintain the Mortgaged Facilities during each Renewal Term. The Lease specifically provides that nothing therein shall be construed to require the State to appropriate moneys to pay the Base Rentals or Additional Rentals (collectively, the "Rentals") under the Lease, and the State is not obligated to pay such Rentals except to the extent appropriated. Neither the obligation of the State to pay such Rentals nor the obligation of the Authority to pay the 2003 Bonds will constitute or give rise to a debt, general obligation or liability of, or a charge against the general credit or taxing power of, the State or any of its political subdivisions. The issuance of the 2003 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power.

Dated: Date of Delivery[1]

Due: May 15, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2003 Bonds.

The Bonds were awarded pursuant to competitive bidding received by means of the Bloomberg and the Parity electronic bidding systems on Wednesday, December 10, 2003 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated November 13, 2003) to Banc One Capital Markets Inc., Chicago Illinois; at a "true interest rate" of 4.15%.

Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

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 December 10, 2003, and the information contained herein speaks only as of that date.

[1] The anticipated date of delivery is Tuesday, December 30, 2003.

Series 2003
$22,725,000, Lease Revenue and Refunding Bonds
(State Facilities Master Lease Program)

Dated: Date of Delivery[2] **Due: May 15, as shown below**

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield/ Price
2005….	PP 0	$ 115,000	2.00%	1.35%
2006….	PQ 8	1,125,000	2.00	1.69
2007….	PR 6	1,180,000	2.25	2.08
2008….	PS 4	1,210,000	2.75	2.44
2009….	PT 2	1,240,000	3.00	2.70
2010….	PU 9	1,275,000	3.25	2.97
2011….	PV 7	1,325,000	3.60	3.25
2012….	PW 5	1,375,000	5.00	3.53
2013….	PX 3	1,440,000	4.00	3.67
2014….	PY 1	835,000	4.00	3.82
2015….	PZ 8	875,000	4.00	3.94

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield/ Price
2016….	QA 2	$ 900,000	4.00%	4.07%
2017….	QB 0	940,000	4.10	4.17
2018….	QC 8	980,000	4.20	4.27
2019….	QD 6	1,020,000	4.20	4.46
2020….	QE 4	1,065,000	4.25	4.55
2021….	QF 1	1,110,000	4.375	4.63
2022….	QG 9	1,160,000	4.40	4.70
2023….	QH 7	1,210,000	4.50	4.77
2024….	QJ 3	1,265,000	4.50	4.82
2025….	QK 0	1,080,000	5.00	4.75

[2] The anticipated date of delivery is Tuesday, December 30, 2003.

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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 2003 Bonds 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 informational representations must not be relied upon as having been authorized by either the Authority, the State, Zions Bank Public Finance (the "Financial Advisor"), Wells Fargo Bank Northwest, National Association, the successful bidders(s) or any other entity. All other information contained herein has been obtained from the State, DTC 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 2003 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 2003 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such act. Any registration or qualification of the 2003 Bonds in accordance with applicable provisions of the securities laws of the states in which the 2003 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

These 2003 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is a criminal offense.

In connection with the offering of the 2003 Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2003 Bonds. Such transactions may include overallotments in connection with the purchase of 2003 Bonds, the purchase of 2003 Bonds to stabilize their market price and the purchase of 2003 Bonds to cover the successful bidder(s)'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 resulting 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, or events, conditions or circumstances on which such statements are based occur.

This OFFICIAL STATEMENT has been designed to conform, where applicable, to the guidelines presented in Disclosure Guidelines for State and Local Government Securities, published by the Government Finance Officers Association in 1991, as revised.

OFFICIAL STATEMENT RELATED TO

State of Utah, State Building Ownership Authority

$22,725,000 Lease Revenue and Refunding Bonds
(State Facilities Master Lease Program), Series 2003

payable from annually renewable lease payments to be made by the

State of Utah

pursuant to a State Facilities Master Lease Agreement, as amended and supplemented (the "Lease")

INTRODUCTION

This OFFICIAL STATEMENT, including the cover page, introduction and Appendices, provides information in connection with the issuance and sale by the State of Utah, State Building Ownership Authority (the "Authority"), a body politic and corporate of the State of Utah (the "State") of its $22,725,000 Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2003 (the "2003 Bonds").

This introduction is only a brief description of the 2003 Bonds and the security and source of payment for the 2003 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 2003 Bonds to potential investors is made only by means of the entire OFFICIAL STATEMENT.

See the following Appendices attached hereto and incorporated herein by reference: APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003; APPENDIX B—BASIC DOCUMENTATION; APPENDIX C—DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH; APPENDIX D—PROPOSED FORM OF OPINION OF BOND COUNSEL; APPENDIX E—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING and APPENDIX F—BOOK–ENTRY SYSTEM.

When used herein the terms "Fiscal Year XXXX," and "Fiscal Year End[ed][ing] June 30, XXXX" shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding year.

Capitalized terms used but not otherwise defined herein have the same meaning as given to them in the Lease and the Indenture. See "APPENDIX B—BASIC DOCUMENTATION–DEFINITIONS OF CERTAIN TERMS" below.

The Issuer

The Authority was established and operates under the State Building Ownership Authority Act (the "Building Ownership Act"), Part 3, Chapter 1, Title 63B, Utah Code Annotated 1953, as amended (the

"Utah Code"). The Authority was created in 1979 for the purpose of acquiring, constructing, improving or extending one or more projects on behalf of the State and certain state bodies pursuant to the Building Ownership Act. See "STATE BUILDING OWNERSHIP AUTHORITY" below.

Authorization For And Purpose Of The 2003 Bonds; Prior Parity Bonds

The Authority may issue bonds and fund projects only as authorized by the Legislature. The 2003 Bonds are being issued pursuant to: (i) the Building Ownership Act (ii) the Utah Refunding Bond Act, Chapter 27 of Title 11, Utah Code (the "Refunding Bond Act"); (iii) Chapter 11 of Title 63B, Utah Code (the "2002 Bonding Act") and Chapter 12 of Title 63B, Utah Code (the "2003 Bonding Act" and together with the Building Ownership Act, the Refunding Bond Act, and the 2002 Bonding Act, the "Act"); (vi) certain authorizing resolutions adopted by the Authority on November 13, 2003 (the "Parameters Resolution") and on December 10, 2003 (the "Final Bond Resolution" and together with the Parameters Resolution, the "Resolutions") which provide for the issuance of the 2003 Bonds; and (v) an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as amended and supplemented (collectively, the "Indenture") between the Authority and Wells Fargo Bank Northwest, National Association, Corporate Trust Services, Salt Lake City, Utah, as Trustee (the "Trustee").

The 2003 Bonds are being issued to finance a portion of the cost of refunding certain lease revenue bonds, the acquisition of real estate, and the acquisition, construction and equipping of certain building facilities (as described herein) and to pay the costs associated with the issuance of the 2003 Bonds. See "THE 2003 BONDS—Estimated Sources And Uses Of Funds" "—Plan Of Refunding The 1993B Bonds" and "THE MORTGAGED FACILITIES—The 2003 Facilities" below.

The Authority has previously issued twelve Series of Bonds under the Indenture (collectively, the "Prior Parity Bonds") to finance and refinance the cost of various projects (the "Mortgaged Facilities") under the Building Ownership Act.

As of December 30, 2003 (the scheduled closing of the 2003 Bonds), the outstanding aggregate principal amount of the Prior Parity Bonds is $327,838,024 (not including the 2003 Bonds).

The 2003 Bonds will be issued on a parity basis, and will be equally and ratably secured under the Indenture with (i) the Prior Parity Bonds, and (ii) any Additional Bonds which may be issued from time to time under the Indenture. *The 2003 Bonds, the Prior Parity Bonds, and any Additional Bonds issued under the Indenture are sometimes collectively referred to herein as the "Bonds."* See "THE 2003 BONDS—Security And Sources Of Payment For The 2003 Bonds–Additional Bonds; Refunding Bonds" and "APPENDIX B—BASIC DOCUMENTATION–THE INDENTURE–Additional Bonds" below.

The Authority has leased the Mortgaged Facilities to the State, acting through its Division of Facilities Construction and Management ("DFCM"), a division of its Department of Administrative Services pursuant to a State Facilities Master Lease Agreement, dated as of September 1, 1994, as amended and supplemented (collectively, the "Lease").

Pursuant to certain mortgages, the Authority has granted to the Trustee mortgages and security interests in each of the Mortgaged Facilities (other than certain facilities financed for the University of Utah (the "U of U 1998B Facilities")) as security for the 2003 Bonds. See "THE 2003 BONDS—Security And Sources Of Payment For The 2003 Bonds" below.

Security; Cross Collateralization

Security for the 2003 Bonds

The 2003 Bonds are limited obligations of the Authority, payable solely from the revenues and receipts received pursuant to the Lease and other funds or amounts held by the Trustee under the Indenture as security for the 2003 Bonds. See "THE 2003 BONDS—Security And Sources Of Payment For The 2003 Bonds" below.

Under the Lease, the State has agreed to make payments in stated amounts which are sufficient to pay interest on the 2003 Bonds and the principal amount thereof coming due in each year (collectively, the "Base Rentals"), but only if and to the extent that the Utah State Legislature (the "Legislature") annually appropriates funds sufficient to pay the Base Rentals coming due during each succeeding Renewal Term (as described herein) under the Lease plus such additional amounts (the "Additional Rentals") as are necessary to operate and maintain the Mortgaged Facilities during such period. The Lease specifically provides that nothing therein shall be construed to require the Legislature to appropriate any money to pay any Base Rentals or Additional Rentals (collectively, the "Rentals") thereunder and that neither the State nor any political subdivision thereof shall be obligated to pay such Rentals except to the extent of funds appropriated for that purpose. The obligation of the State to pay any Rentals is subject to annual appropriations by the Legislature as provided in the Lease. Neither the obligation of the State to pay Rentals nor the obligation of the Authority to pay the 2003 Bonds will constitute or give rise to a debt, a general obligation or liability of, or a charge against the general credit or taxing power of, the State or any of its political subdivisions. The issuance of the 2003 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power. See in this section "Risks Inherent In The Ownership Of The 2003 Bonds" below and "THE 2003 BONDS—Security And Sources Of Payment For The 2003 Bonds" below.

Cross Collateralization

Pursuant to the Indenture, the Authority has mortgaged, pledged and assigned to the Trustee, among other things, its right, title and interest in and to all of the Mortgaged Facilities and its right to receive the Base Rentals (as defined below) as lessor under the Lease, as security for the payment of the principal of, premium, if any, and interest on the 2003 Bonds (collectively, the "Mortgages"). The mortgages and security interests created by the Mortgages secure all Bonds issued and outstanding under the Indenture on a parity basis, see "THE MORTGAGED FACILITIES—Cross–Collateralization" below, subject to the release of any of the Mortgaged Facilities upon the terms and conditions described under "THE MORTGAGED FACILITIES—Release Of Portions Of Mortgaged Facilities" below.

Redemption Provisions

The 2003 Bonds are subject to optional redemption and extraordinary optional redemption (in the event of damage, destruction or condemnation to the 2003 Facilities) prior to maturity. See "THE MORTGAGED FACILITIES—The 2003 Facilities" and "THE 2003 BONDS—Redemption Provisions For The 2003 Bonds" below.

Registration, Denominations, Manner Of Payment Of The 2003 Bonds

The 2003 Bonds are issuable only as fully–registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for DTC, which will act as securities depository of the 2003 Bonds. Purchases of 2003 Bonds will be made in book–entry only form, in the principal amount of $5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Owners of the 2003 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2003 Bonds. "Participants" and "Owners" are defined under "APPENDIX F—BOOK–ENTRY SYSTEM" below.

Principal of and interest on the 2003 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2004) are payable by Wells Fargo Bank Northwest, National Association, Corporate Trust Services, Salt Lake City, Utah, as Paying Agent (the "Paying Agent") and the ("Bond Registrar"), to the registered owners of the 2003 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 Participants, for subsequent disbursements to the Owners of the 2003 Bonds, as described under "APPENDIX F—BOOK–ENTRY SYSTEM" below.

So long as DTC or its nominee is the sole registered owner of the 2003 Bonds, neither the Authority, the State, the successful bidder(s) nor the Trustee will have any responsibility or obligation to any 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 Participants, Direct Participants, Indirect Participants or the Owners of the 2003 Bonds. *Under these same circumstances, references herein and in the Indenture to the "Bondowners" or "Registered Owners" of the 2003 Bonds shall mean Cede & Co. and shall not mean the Owners of the 2003 Bonds.*

Transfer Or Exchange Of The 2003 Bonds

No transfer or exchange of any 2003 Bonds shall be required to be made during a period beginning on the Regular Record Date immediately preceding any interest payment date and ending on such interest payment date. Regular Record Date shall mean the first day of the month in which such Bond Interest Payment Date occurs.

Tax–Exempt Status For The 2003 Bonds

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the 2003 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Bond Counsel is also of the opinion that interest on the 2003 Bonds is exempt from State of Utah individual income taxes under currently existing law. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2003 Bonds.

See "LEGAL MATTERS—Tax Exemption" below for 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 2003 Bonds:

Independent Auditors	*Bond Counsel*
Utah State Auditor State Capitol Building Rm 211 Salt Lake City UT 84114 801.538.1025—Fax 801.538.1383 austonjohnson@utah.gov	Ballard Spahr Andrews & Ingersoll LLP 201 S Main St Ste 600 Salt Lake City UT 84111–2215 801.531.3000—Fax 801.531.3001 wadeb@ballardspahr.com

Trustee, Bond Registrar and Paying Agent

Wells Fargo Bank Northwest, National Association
Corporate Trust Services
299 S Main St 12th Fl
Salt Lake City UT 84111
801.246.5930—Fax 801.246.5996
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Disclosure Counsel

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rthorup@rqn.com

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Salt Lake City UT 84111–2336
801.524.2100—Fax 801.524.2109
epehrson@zionsbank.com

Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery For The 2003 Bonds

The 2003 Bonds are offered, subject to prior sale, when, as, and if issued and received by the successful bidder(s), subject to the approval of legality by Ballard Spahr Andrews & Ingersoll LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General. Certain matters will be passed upon for the successful bidder(s) by Ray, Quinney & Nebeker, Salt Lake City, Utah, as Disclosure Counsel to the State. It is expected that the 2003 Bonds, in book–entry form, will be available for delivery in Salt Lake City, Utah, for deposit with the Trustee (a "fast agent" of DTC) on Tuesday, December 30, 2003.

Risks Inherent In The Ownership Of The 2003 Bonds

The purchase of the 2003 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2003 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain of these risks are described below.

Limited Obligations

The 2003 Bonds are payable from amounts due under the Lease on a parity basis with all other Bonds that may be outstanding under the Indenture. The initial term of the Lease expired on June 30, 1995 (the "Initial Term"). The State has the option to extend the term of the Lease for consecutive one–year renewal terms, which it has done since 1995 and through June 30, 2004. This annual renewal option will continue through June 30, 2024 with a final renewal term commencing July 1, 2024, and ending May 16, 2025 (each renewal term, and all of the existing renewals are referred to herein as the "Renewal Terms"). The 2003 Bonds will be issued during the ninth Renewal Term of the Lease. The State's obligation under the Lease does not constitute a general obligation or other indebtedness of the State, the Authority or any agency or political subdivision of the State within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

There is no assurance that the State will, in its sole discretion, exercise its option to extend the term of the Lease for any future Renewal Term. Accordingly, the likelihood that the State will extend the term of the Lease for any Renewal Term and that there will be sufficient funds to pay the principal of, premium, if any, and interest on the 2003 Bonds as the same become due depends upon a number of factors, including, but not limited to:

(a) the economic and demographic conditions within the State,

(b) the ability of the State to generate sufficient tax or other revenues in any year,

(c) the willingness of the Legislature in any future year to appropriate moneys to pay the Rentals, which decision of the Legislature could be affected by many factors, including the continuing need of the State for the Mortgaged Facilities, and

(d) the value of the Mortgaged Facilities if relet or sold in a foreclosure or other liquidation proceeding instituted by the Trustee in the event of the termination or expiration of the Lease if the Legislature does not appropriate sufficient funds to extend the term of the Lease as provided therein.

General Economic Conditions

The State relies on tax revenues and fees as the primary source of funds to operate state government and to pay its obligations. Regional and national economic conditions, such as weather–related economic effects, business cycles, unemployment, and consumer confidence, are outside of the control of the Authority or the State, and can have material adverse effects on the State's revenues, and its ability to pay Base Rentals on the 2003 Facilities. See "FINANCIAL INFORMATION REGARDING THE STATE—Current Economic Overview" "—Recent Developments" "—Future Considerations" and "—Management's Discussion And Analysis Of Financial Statements" below.

No Reserve Fund for the 2003 Bonds or any other Bonds

No debt service reserve fund has been established to secure any of the Bonds issued under the Indenture.

Expiration or Termination of the Lease

In the event that the Legislature does not extend the term of the Lease in any year by failing to appropriate sufficient funds to pay Rentals due thereunder for the succeeding fiscal year, the State's obligation to pay Rentals under the Lease will terminate on the June 30 occurring at the end of the then–current Renewal Term. Upon (a) the expiration of any Renewal Term of the Lease during which an Event of Nonappropriation occurs or (b) an Event of Default under the Lease and an election by the Trustee to terminate the possessory interest of the State under the Lease, the State's right of possession of the Mortgaged Facilities under the Lease will expire or be terminated, as appropriate.

A Bondowner should not anticipate that it will be possible to foreclose on the Leased Property and liquidate, relet or sell the Leased Property (subject to the Site Leases) after the occurrence of an Event of Nonappropriation or an Event of Default for an amount equal to the aggregate principal amount of the Bonds then Outstanding plus accrued interest thereon.

Certain of the Mortgaged Facilities financed under the Indenture will be, or are now under construction. If the possessory interest of the State under the Lease were to be terminated by reason of an Event of Nonappropriation or an Event of Default under the Indenture or otherwise pursuant to the Building Ownership Act and the Lease prior to the acquisition and construction of these Mortgaged Facilities, the payment of principal of, premium, if any, and interest on the 2003 Bonds would depend, in part, on the ability of the Trustee to complete any unfinished construction, liquidate, relet or sell one or more partially constructed Mortgaged Facilities. See "APPENDIX B—BASIC DOCUMENTATION–THE INDENTURE–Events Of Default And Remedies" below.

Possible Difficulties in Selling or Re–letting the Mortgaged Facilities

In the event that the State's right of possession of the Mortgaged Facilities under the Lease expires or is terminated for any of the reasons described in the Indenture, the obligation of the State to pay Rentals under the Lease will continue through the then–current Renewal Term, but not thereafter, and the

2003 Bonds will be payable from, among other sources, such moneys as may be available by way of recovery from the State of the Rentals which are due through the then–current Renewal Term. As set forth in the Building Ownership Act and the Lease, if the State fails to pay any rentals due to the Authority under the terms of the Lease, the State shall immediately quit and vacate the Mortgaged Facilities, and the rental or lease obligation under the Lease shall then cease. Should the Lease expire at the end of a Renewal Term without any extension for the next succeeding Renewal Term, or if an event occurs pursuant to which the Trustee terminates the State's right of possession of the Mortgaged Facilities under the Lease, the Trustee may recover, complete construction, and relet or sell the affected Mortgaged Facilities as provided in the Indenture.

The Mortgaged Facilities constitute facilities to be used in connection with the operation of certain divisions of State government and institutions of higher education and may not be readily usable by other types of tenants. See "THE MORTGAGED FACILITIES" below. Moreover some of the Mortgaged Facilities are subject to mortgages securing other Bonds, and there may be conflicting claims to the value of these Mortgaged Facilities. No assurance can be given that the Trustee could relet or sell the Mortgaged Facilities for the amount necessary to pay the principal of and the interest due on the 2003 Bonds. The net proceeds of any reletting or sale of the Mortgaged Facilities, together with certain other moneys then held by the Trustee under the Indenture, if any, are required to be used to pay the 2003 Bonds to the extent of such moneys. No assurance can be given as to the amount of funds available from any such source for the payment of the aggregate principal amount of the 2003 Bonds then outstanding plus accrued interest thereon. Furthermore, no assurance can be given that any amount realized upon any liquidation of the Mortgaged Facilities will be available to provide for the payment of the 2003 Bonds on a timely basis.

Delays in Exercising Remedies; Limitations on Enforceability

The enforceability of the Lease and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State, the exercise of judicial authority by state or federal courts and the exercise by the United States of America of the powers delegated to it by the federal constitution. Because of the unique uses to which the Mortgaged Facilities may be suited and the delays inherent in obtaining foreclosure upon real property and judicial remedies, no assurance can be given that these remedies could be accomplished rapidly. Any delays in or failure of the ability of the Trustee to obtain possession of or to foreclose the lien on the Mortgaged Facilities, of necessity, will result in delays in any payment of principal of or interest on the 2003 Bonds.

Possible Shortfall in Costs of Acquisition and Construction of the Mortgaged Facilities

The design, acquisition, construction, and equipping of certain Mortgaged Facilities have commenced and are expected to be completed within the next three years. See "THE MORTGAGED FACILITIES—The Mortgaged Facilities Financed With Prior Parity Bonds" below.

The Authority and the State believe, but there can be no assurance, that the proceeds of sale of the 2003 Bonds and the Prior Parity Bonds, together with certain investment earnings thereon and other sources of construction funds described in "THE MORTGAGED FACILITIES—The Mortgaged Facilities Financed With Prior Parity Bonds" below, will be sufficient to complete the acquisition, construction and equipping of the Mortgaged Facilities which are yet to be completed. In the event such proceeds are insufficient, the Authority is authorized, pursuant to the Lease, to complete the acquisition, construction and equipping of those certain Mortgaged Facilities from legally available funds, but only in connection with the issuance of Additional Bonds (as defined hereinbelow) issued pursuant to the Indenture or from moneys otherwise legally available for that purpose. The Indenture provides that Additional Bonds may be issued for the purpose of completing the Mortgaged Facilities or of making additions or improvements to the Mortgaged Facilities or of acquiring or constructing Additional Mortgaged Facilities (as that term is defined in the Lease), subject to satisfaction of certain conditions provided in the Indenture. There can be no assurance that such Additional Bonds will be permitted under applicable law or that the Legislature will agree to the issuance of Additional Bonds at that time. If issued, Additional Bonds will be secured under the Indenture on a parity with the 2003 Bonds previously issued, including the 2003 Bonds and the Prior Parity Bonds. See "THE 2003 BONDS—Security And Sources Of Payment For The 2003 Bonds—Additional Bonds; Refunding Bonds" below and "APPENDIX B—BASIC DOCUMENTATION–THE INDENTURE–The 2003 Bonds–Additional Bonds" below.

Destruction of the Mortgaged Facilities

The Lease requires the Mortgaged Facilities to be insured by policies of insurance (including casualty and property damage insurance) as described in "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Insurance Provisions" below. In the event of damage to or destruction of all or any part of the Mortgaged Facilities, the State is nevertheless required to continue to make payments under the Lease during the period for which the Legislature has appropriated moneys to do so. In such event, the State will decide whether the proceeds from available insurance (and any other legally available source) are sufficient to repair and rebuild such Mortgaged Facilities or whether to apply the available proceeds to redemption or payment of the applicable Series of Bonds. If the net proceeds from insurance or certain other sources are insufficient to repair or replace such Mortgaged Facilities, the State may terminate its obligations under the Lease with respect to such Mortgaged Facilities and cause such proceeds to be distributed for the redemption of the applicable Series of Bonds in whole or in part as provided in the Indenture. There can be no assurance as to the adequacy of a timely payment under property damage insurance in effect at that time. Furthermore, there can be no assurance that such insurance proceeds will be sufficient to redeem the applicable Series of Bonds in whole or that the Trustee will be able to realize any additional funds from such Mortgaged Facilities at that time. See "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation" below.

Depreciation and Lack of Residual Value

Certain components of the Mortgaged Facilities may depreciate in value during the time that the 2003 Bonds are outstanding. In addition, various components of the Mortgaged Facilities may be difficult or impossible to remove from their points of service or use. Consequently, following an Event of Nonappropriation, an Event of Default under the Lease or the termination of the Lease for any reason, it is possible that any revenues realized by the Trustee from a reletting or sale, as appropriate, of the Authority's interest in the Mortgaged Facilities may be insufficient to pay all outstanding Bonds in full.

Tax–Exempt Status; Continuing Compliance with Certain Covenants

Failure by the Authority or the State with respect to any of the 2003 Bonds to comply with certain covenants relating to the Indenture, the Lease and the 2003 Bonds on a continuous basis, so long as any of the 2003 Bonds are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in interest on the 2003 Bonds becoming includible in federal gross income of the owners thereof, retroactive to the date of their original issuance. See "LEGAL MATTERS—Tax Exemption" below. The Indenture and the 2003 Bonds do not provide for payment of any additional interest or penalty in the event that interest on the 2003 Bonds becomes includible in federal gross income.

Other Factors Regarding the Mortgaged Facilities

The ownership or operation of the Mortgaged Facilities creates a potential for environmental liability on the part of both the owner or operator of the Mortgaged Facilities as well as any party secured by mortgages, deeds of trust or other encumbrances, such as the Mortgages. If hazardous substances are discovered at the Mortgaged Facilities' sites or discovered to be emanating from the Mortgaged Facilities' sites, the State and the Authority may be held strictly liable for all costs and liabilities relating to the disposing of or dealing with such hazardous substances. This liability could be for an amount far in excess of the value of the Mortgaged Facilities. The existence of such hazardous substances could hinder the Trustee in exercising certain of its remedies or rights under the Lease and the Indenture upon the occurrence of an Event of Default thereunder.

The Authority has agreed and represented in the Lease that it has carried on, and will carry on, the business and operations at the Mortgaged Facilities in a manner that complies in all respects, and will remain in compliance, with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances concerning public health, safety or the environment.

Changes in State Government

The State has agreed in the Lease to (a) request in its budget request all moneys that are necessary to fulfill the State's obligations under the Lease for each successive Renewal Term and (b) seek an appropriation of such funds in a timely fashion so as to allow the State to pay its obligations under the Lease when due. The decision to renew or not to renew the term of the Lease is to be made solely by the Legislature at the time it considers for adoption the final budget relating to each Renewal Term and not by any official of the State, acting in his or her individual capacity.

The obligation of the State to make payments under the Lease is subject to annual appropriation by the Legislature, which consists of the Utah Senate (the "Senate") and the Utah House of Representatives (the "House"), based upon a budget initially presented to the Legislature by the Governor, and which appropriation bill is signed by the Governor. The members of the Legislature and the Governor are elected officials. Members of the Senate and the Governor serve four–year terms while members of the House serve two–year terms. As of the date of this OFFICIAL STATEMENT, the Governor and his administration support the construction and continued operation of the Mortgaged Facilities. However, the individuals elected to serve as Governor and as members of the Legislature will change during the period when the 2003 Bonds are outstanding. There can be no assurance that a future Legislature or a future Governor will not take a policy position against the continued appropriation of payments under the Lease for the Mortgaged Facilities.

Continuing Disclosure Undertaking

The State will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the Owners of the 2003 Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of paragraph (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission (the "SEC") under 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" below.

The State is in compliance with each and every continuing disclosure 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 2003 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" below. 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 2003 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2003 Bonds and their market price.

See "APPENDIX E—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING" for the proposed form of Undertaking.

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Authority, the State, the 2003 Bonds, the Indenture and the Lease are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the Lease are qualified in their entirety by reference to such documents, and references herein to the 2003 Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture, the Lease and the information with respect thereto included in the aforementioned documents, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the 2003 Bonds. Descriptions of the Indenture, the Lease and the 2003 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. See "APPENDIX B—BASIC DOCUMENTATION" below. Bidders may obtain copies of the "basic documentation" which includes the resolutions, the closing documents for the 2003 Bonds, the Indenture, the Lease and other documentation with respect to the 2003 Bonds that establish the rights and responsibilities of the State and other parties to the transaction, from the "contact persons" as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, the chief contact person for the Authority and DFCM concerning the 2003 Bonds is:

Alyn C. Lunceford, Real Property and Debt Manager
DFCM
4110 State Office Building Salt Lake City UT 84114
801.538.3799—Fax 801.538.3267
aluncefo@dfcm.state.ut.us

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the 2003 Bonds is:

Edward T. Alter, Utah State Treasurer, and
Board Member and Secretary of the Authority
State Capitol Building Rm 215 Salt Lake City UT 84114
801.538.1042—Fax 801.538.1465
ealter@utah.gov

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to the Financial Advisor:

D. Kent Michie, Vice President, dmichie@zionsbank.com
Carl F. Empey, Vice President and Sales Manager, cempey@zionsbank.com
Eric John Pehrson, Vice President, epehrson@zionsbank.com
Zions Bank Public Finance
215 S State St Ste 700 Salt Lake City UT 84111–2336
801.524.2100—Fax 801.524.2109

Public Sale/Electronic Bid

The Bonds were awarded pursuant to competitive bidding received by means of the Bloomberg and the Parity electronic bidding systems on Wednesday, December 10, 2003 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated November 13, 2003) to Banc One Capital Markets Inc., Chicago Illinois; at a "true interest rate" of 4.15%.

THE 2003 BONDS

General

The 2003 Bonds will be dated the date of delivery[3] thereof (the "Dated Date") and will mature on May 15 in the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The 2003 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 2003 Bonds is payable semiannually on each May 15 and November 15, commencing May 15, 2004. Interest on the 2003 Bonds shall be computed on the basis of a 360–day year of twelve 30–day months. Wells Fargo Bank Northwest, National Association, Corporate Trust Services, Salt Lake City, Utah, is the Registrar (the "Registrar"), Paying Agent and Trustee with respect to the 2003 Bonds.

The 2003 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.

The 2003 Bonds are being issued within the statutory debt limits imposed on the Authority. See "STATE BUILDING OWNERSHIP AUTHORITY—Legal Borrowing Debt Capacity" below.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2003 Bonds are estimated to be applied as set forth below:

Sources of Funds:

Par amount of the Bonds	$22,725,000.00
Transfer of Prior Debt Service Reserve Fund	656,946.66
Original issue premium	321,945.30
Total	$23,703,891.96

Uses of Funds:

Deposit in Construction Fund	$16,994,849.30
Deposit in Current Period Refunding Fund	5,180,038.13
Deposit in Capitalized Interest Fund	999,539.31
Original issue discount	255,684.05
Costs of issuance (1)	206,904.90
Underwriters' discount	66,876.27
Total	$23,703,891.96

(1) Costs of issuance include legal fees, financial advisor fees, trustee fees, rating fees, printing and other miscellaneous expenses.

Security And Sources Of Payment For The 2003 Bonds

The Lease and the Indenture

The 2003 Bonds are payable from amounts due under the Lease, as may be appropriated by the Legislature, and certain other moneys as provided in the Indenture. The Initial Term of the Lease commenced as of September 1, 1994, and expired on June 30, 1995. The State has exercised its option to extend the

[3] The anticipated date of delivery is Tuesday, December 30, 2003.

term of the Lease and is currently in the ninth Renewal Term, which term will expire June 30, 2004, subject to the further exercise by the State, in its sole discretion, of its option to extend the term of the Lease for consecutive additional one–year Renewal Terms commencing July 1 of each of the years 2004 through 2023, and a final Renewal Term commencing July 1, 2024, and ending May 16, 2025, unless terminated earlier. The 2003 Bonds are being issued during the ninth Renewal Term of the Lease. For circumstances under which the Lease may be terminated, see "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Term Of The Lease" below.

The Authority, as lessor under the Lease and pursuant to the Indenture, will assign to the Trustee its rights to receive Base Rentals under the Lease, for the benefit of the Owners of the 2003 Bonds. In addition, the Authority has granted or will grant a mortgage and security interest in all of its right, title and interest in and to the Mortgaged Facilities. See "APPENDIX B—BASIC DOCUMENTATION–THE INDENTURE" below.

Pursuant to the provisions of the Lease, the State may, in its sole discretion, purchase all or a portion of the Mortgaged Facilities (other than the U of U 1998B Facilities) by payment of the applicable Option Price as defined in the Lease. Neither DFCM, the State, nor the Legislature may be compelled to exercise the purchase option provided in the Lease. See "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Lessee's Options To Purchase The Leased Property" below.

The continuation of the term of the Lease and the obligation of the State to pay Base Rentals after June 30, 2004, are subject to the appropriation by the Legislature of sufficient funds to extend the term of the Lease for each succeeding Renewal Term. Neither the Lease nor the 2003 Bonds constitute a general obligation or indebtedness of the State or any political subdivision thereof, or the Authority, within the meaning of any constitutional or statutory debt limitation. Neither the State nor any agency, department or division of the State has pledged its credit to the payment of the Lease or the 2003 Bonds, and neither the State, nor the Authority is directly or contingently obligated to apply money from, or to levy or pledge, any form of taxation to the payment of the Lease or the 2003 Bonds. The Authority does not have any taxing power. See "INTRODUCTION—Risks Inherent In The Ownership Of The 2003 Bonds" above.

So long as the Lease does not expire on June 30, 2004, by its terms, and thereafter in the event the Legislature appropriates sufficient funds to extend the term of the Lease for each successive Renewal Term, the State is required by the provisions of the Lease to pay semiannually to the Trustee specified Base Rentals for the Mortgaged Facilities which are sufficient, in both time and amount, to pay, when due, the principal of and interest on the 2003 Bonds.

The State has covenanted in the Lease to cause to be included in its annual tentative budget submitted to the Governor of the State a request for appropriation, in accordance with applicable law, of an amount necessary (after taking into account any moneys then legally available for such purpose) to pay the Base Rentals and any reasonably anticipated Additional Rentals under the Lease for the Mortgaged Facilities during the next succeeding Renewal Term. See "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Rentals Payable–Covenant to Request Appropriations" below.

The Governor's Office of Planning and Budget reports that the budget adopted by the Legislature at its 2003 general session included an appropriation of funds sufficient to pay Base Rentals and Additional Rentals due under the Lease during the fiscal year of the State commencing July 1, 2003 and ending June 30, 2004, thereby extending the term of the Lease for the next (ninth) Renewal Term.

If the amounts otherwise legally available to be paid by the State to the Authority under the Lease are insufficient to pay the principal of and interest on the 2003 Bonds as and when due, as provided in the Building Ownership Act, the Governor of the State may request the Legislature to appropriate additional funds for the payment of amounts due thereunder. The State covenants to request that the Governor include in the budget submitted to the Legislature a request or requests for appropriation as and when necessary to assure full and timely payments on the 2003 Bonds; *provided, however,* that nothing in the

Lease shall be construed as requiring the Governor to make such a request or the Legislature to appropriate such amounts.

In the event that the Legislature does not budget and appropriate sufficient funds prior to June 1 next preceding the beginning of any Renewal Term for the payment of (i) the Base Rentals becoming due during such Renewal Term, and (ii) reasonably estimated Additional Rentals payable during such Renewal Term with respect to the Lease, then an Event of Nonappropriation shall be deemed to have occurred pursuant to the Lease, and the State shall not be obligated to make payment of the Base Rentals or Additional Rentals provided for in the Lease beyond the last day of the Renewal Term during which such Event of Nonappropriation occurs, except for the State's obligation to pay Rentals that are payable prior to the termination of the Lease; provided, however, that the State shall continue to be liable for the amounts payable pursuant to the Lease during such time when the State continues to use, occupy and operate the property leased pursuant to the Lease. In accordance with the Indenture, once the State has elected to continue a Lease for a new Renewal Term by the Legislature budgeting and appropriating sufficient moneys to pay Base Rentals and Additional Rentals as provided in the Lease, the State shall, as of the first day of such Renewal Term, be obligated to pay such Base Rentals and Additional Rentals during such Renewal Term. *Pursuant to the provisions of the Building Ownership Act, if the State fails to pay any Rentals due to the Authority under the terms of the Lease, the State shall immediately quit and vacate the Mortgaged Facilities.* The Trustee shall, upon the occurrence of an Event of Nonappropriation, have all rights and remedies to take possession of the Mortgaged Facilities as trustee for the benefit of the Owners of the 2003 Bonds as provided in the Lease and the Indenture and shall be further entitled to all moneys then on hand and being held in all funds created under the Indenture (except the Rebate Fund), less any moneys then due and owing to the Trustee for services performed as trustee thereunder. However, due to the nature of the Mortgaged Facilities, it is unlikely that revenues from such remedies and sources would be sufficient to pay in full all then outstanding Bonds if payment were then due by acceleration or otherwise. Should such a shortfall occur, the then outstanding Bonds would be paid on a pro rata basis as provided in the Indenture. See "INTRODUCTION—Risks Inherent In The Ownership Of The 2003 Bonds" above.

Insurance on the Mortgaged Facilities

The Mortgaged Facilities are required to be insured by the State to the extent described in "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Insurance Provisions" below. All Net Proceeds of performance bonds, proceeds (including any moneys derived from any self–insurance program) from policies of insurance required by the Lease or condemnation awards which are received by the Trustee will be deposited into a separate trust fund under the Indenture. Such Net Proceeds will be used either (a) to repair, restore, modify or improve the applicable Mortgaged Facilities or (b) to redeem or defease the related Bonds, as more fully described in "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation" below. See "INTRODUCTION—Risks Inherent In The Ownership Of The 2003 Bonds" above and "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Risk Management And Insurance" below.

No Reserve Fund for the 2003 Bonds

The Authority has not and will not create a debt service reserve fund for any Bonds issued under the Indenture.

Additional Bonds; Refunding Bonds

Additional Bonds may be issued pursuant to the Indenture on a parity with the 2003 Bonds and the Prior Parity Bonds upon the terms and conditions of the Indenture for the purpose of providing funds to pay one or more of the following: (i) the costs of completing the acquisition and construction of any of the Mortgaged Facilities financed under the Indenture; (ii) the costs of making such additions, improvements, extensions, alterations, relocations, enlargements, expansions, modifications or changes (hereinafter in this paragraph collectively called the "improvements") in, on or to the Mortgaged Facilities as the

State may deem necessary or desirable and as will not impair the excludability from gross income for federal income tax purposes of interest on the 2003 Bonds or reduce the fair rental value of the Mortgaged Facilities, including any repairing, restoring, modifying, improving or replacing pursuant to the Lease to the extent that such costs exceed the insurance or condemnation proceeds out of which such costs are to be paid pursuant to the Lease; (iii) the costs of Acquiring or Constructing any Additional Facilities for the use and benefit of the State and any State Bodies, but only to the extent that (A) the inclusion of such Additional Facilities as part of the Mortgaged Facilities will not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for federal income tax purposes of interest on the 2003 Bonds then outstanding and (B) the Lease is amended to include such Additional Facilities thereunder; (iv) the refunding of a Series of Bonds; (v) the costs of the issuance and sale of the Additional Bonds; (vi) interest during the estimated period of Acquisition and Construction of such Additional Facilities and for a period of up to 12 months thereafter; and (vii) any combination of such purposes. Any such Additional Facilities shall become a part of the Mortgaged Facilities and shall be included under the Lease to the same extent as if originally included thereunder. All Additional Bonds will be secured by the lien of the Indenture pursuant to which such bonds are issued and will rank *pari passu* with Prior Parity Bonds issued and all further Additional Bonds that may be issued under the Indenture, will be in such form, will bear such date or dates, bear such interest rate or rates, will have such maturity date or dates, redemption dates and redemption premiums, and will be issued at such prices as provided in the Supplemental Indenture authorizing the same and in accordance with the provisions of the Indenture.

Plan Of Refunding The 1993B Bonds

The Authority, in December 1993, issued its $8,160,000 Lease Revenue Bonds (State Board of Education Building Project), Series 1993B, dated December 1, 1993, currently outstanding in the aggregate principal amount of $5,430,000 (the “1993B Bonds”) the original proceeds of which were used for the acquisition of a site and the construction, improvement and renovation of a three–story office building thereon (the “1993B Facilities”). *The 1993B Bonds were not issued under the provision of the Indenture or the Lease*.

Proceeds of the 2003 Bonds, in the aggregate amount of $5,180,038.13, together with other available moneys, shall be deposited with the Trustee, and used to call and retire the 1993B Bonds on January 1, 2004.

The Authority will acquire and refinance the 1993B Facilities under the Indenture and the Lease. The 1993B Facilities will be a component of the 2003 Facilities See “THE MORTGAGED FACILITIES—The 2003 Facilities” below.

Redemption Provisions For The 2003 Bonds

Optional Redemption. The 2003 Bonds maturing on or before May 15, 2014, are not subject to redemption prior to maturity, except that, the 2003 Bonds are subject to extraordinary optional redemption in the event of damage to, or destruction or condemnation of the 2003 Facilities.

The 2003 Bonds maturing on or after May 15, 2015, are subject to redemption (i) in whole on any business day on or after May 15, 2014, in the event that the State exercises its option pursuant to the Lease to purchase all the Leased Property (other than State–Owned Sites) thereunder or (ii) in part on May 15, 2014, or on any date thereafter from such maturities or portions thereof designated by the State in the event that the State prepays additional Base Rentals pursuant to the Lease or purchases a portion of the Leased Property representing the 2003 Facilities pursuant to the Lease, all as provided in the Indenture. If called for redemption as provided in this paragraph, the 2003 Bonds to be redeemed, in whole or in part, shall be redeemed at a redemption price, expressed as a percentage of the principal amount of the 2003 Bonds to be redeemed, equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation

The 2003 Bonds shall be subject to redemption prior to maturity in whole or in part from time to time, from such maturities or portions thereof designated by the Lessee in its notice described below, on such date or dates as the Trustee shall determine as hereinafter described, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the redemption date (to the extent that funds are available for such purpose as described herein), but without premium, in the event that (i) any of the Mortgaged Facilities are damaged or destroyed, in whole or in part, or the Leased Property or any portion thereof financed with the 2003 Bonds is taken in a condemnation proceeding, or certain events occur with respect to the title to such Leased Property or construction defects in any of the Mortgaged Facilities financed with the 2003 Bonds as described in the Lease, (ii) the Net Proceeds of any insurance policy, performance bond or condemnation award, or the Net Proceeds received as a consequence of defaults under any Project Contract (excluding liquidated damages), plus all amounts required to be paid as deductibles thereunder, made available by reason of one or more such occurrences, and any other legally available moneys, shall be insufficient to pay in full the cost of rebuilding, replacing or repairing Leased Property financed with the 2003 Bonds and (iii) the Lessee elects, pursuant to the Lease, to waive its obligation to rebuild, repair or replace the affected portion of such Leased Property by depositing such Net Proceeds into the Redemption Fund for application to the redemption of the then Outstanding 2003 Bonds in accordance with the Lease and provides written notice of such election to the Trustee and the Authority. If 2003 Bonds are called for redemption pursuant to this extraordinary optional redemption, the 2003 Bonds to be redeemed shall be redeemed on such date or dates as the Trustee may determine to be in the best interests of the Owners of the 2003 Bonds.

On such redemption date or dates determined as provided in the Indenture, the Trustee shall transfer all moneys into the Redemption Fund in accordance with the provisions of the Indenture to be used by the Trustee to redeem the 2003 Bonds on such redemption date or dates to the extent necessary after giving effect to all moneys transferred to the Redemption Fund. The Trustee shall credit automatically against the State's obligation under the Lease an amount equal to the amount in the Redemption Fund.

Notice of Redemption. Notice of the call for any redemption, identifying and stating, among other things, the 2003 Bonds or portions thereof to be redeemed, the redemption date and price, and that the interest on such Bonds will cease to accrue from and after the redemption date, shall be given by the Trustee, upon being satisfactorily indemnified as to expenses, by mailing a redemption notice at least 30 but not more than 60 days prior to the date fixed for redemption to the registered Owner of each 2003 Bond to be redeemed in whole or in part at the address shown on the registration books; *provided, however*, that failure to give such notice by mailing, or any defect therein with respect to any 2003 Bond, shall not affect the validity of any proceedings for the redemption of any other 2003 Bond. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the registered Owner receives the notice.

In addition to the foregoing notice, certain further notice of any redemption of 2003 Bonds shall be given by the Trustee as provided in the Indenture. Any defect in such further notice or failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

On or prior to the date fixed for any redemption of 2003 Bonds, the moneys required for such redemption shall be deposited with the Trustee by the State in accordance with the Lease. The principal of the 2003 Bonds called for redemption shall cease to bear interest after the specified redemption date, provided that sufficient funds for redemption are on deposit with the Trustee at that time.

If at the time of mailing of any notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the 2003 Bonds called for redemption, which moneys are or will be available for redemption of 2003 Bonds, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee or the Paying Agent not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

Redemption Payments. All moneys to be used for redemption of 2003 Bonds (other than mandatory sinking fund redemptions, if any) shall be deposited in the Redemption Fund established under the Indenture. Said moneys shall be set aside in the Redemption Fund solely for the purpose of redeeming the principal of the 2003 Bonds in advance of their scheduled maturity date, except as may otherwise be required by any Tax Certificate (as defined in "APPENDIX B—BASIC DOCUMENTATION–DEFINITIONS OF CERTAIN TERMS" below), and shall be applied on or after the Bond Payment Date or other date designated for redemption to the payment of the principal of, and premium, if any, and interest on, the 2003 Bonds to be redeemed, upon presentation and surrender of such 2003 Bonds.

Partial Redemption of 2003 Bonds. In the case of a partial redemption of 2003 Bonds when 2003 Bonds of denominations greater than $5,000 are then Outstanding, then for all purposes in connection with such partial redemption, each $5,000 of face value shall be treated as though it were a separate 2003 Bond of the denomination of $5,000. If it is determined that one or more, but not all, of the $5,000 units of face value represented by any 2003 Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units (given by the Trustee), the Owner of such 2003 Bond shall forthwith surrender such 2003 Bond to the Trustee (a) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the $5,000 unit or units of face value called for redemption and (b) for exchange, without charge to the Owner thereof, for a new 2003 Bond or 2003 Bonds of the same Series, designation, maturity and interest rate and in any of the authorized denominations, at the option of the Owner thereof, of the aggregate principal amount of the unpaid balance of the principal amount of the 2003 Bond to be so redeemed. If the Owner of any such 2003 Bond of a denomination greater than $5,000 shall fail to present such 2003 Bond to the Trustee for redemption and exchange as aforesaid, the principal amount of such 2003 Bond to be redeemed shall, nevertheless, become due and payable on the redemption date to the extent of the $5,000 unit or units of face value called for redemption (and to that extent only); interest shall cease to accrue on the portion of the principal amount of such 2003 Bond to be redeemed represented by such $5,000 unit or units of face value on and after the redemption date and (funds sufficient for the payment of the redemption price having been deposited with the Trustee and being available for the redemption of said unit or units on the redemption date) such 2003 Bond shall not be entitled to the benefit or security of the Indenture to the extent of the portion of its principal amount (and accrued interest thereon after the redemption date) represented by such $5,000 unit or units of face value nor shall new 2003 Bonds be thereafter issued corresponding to said unit or units. 2003 Bonds shall be redeemed only in the principal amount of $5,000 each or any whole multiple thereof.

With respect to any partial redemption of 2003 Bonds of less than all of a particular maturity of 2003 Bonds, the particular 2003 Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall determine to be fair and equitable.

Debt Service On The 2003 Bonds

The Lease requires semi–annual Base Rental payments to be made by the State to the Authority *(15 days prior to the actual principal and interest payment dates of May 15 and November 15)*, which Base Rentals have been assigned to the Trustee pursuant to the Indenture.

The following table shows scheduled debt service on the 2003 Bonds through Base Rental Payments.

Debt Service Through Base Rental Payment Schedule

Due Date (Base Rental Payment)	The 2003 Bonds Principal	Interest	Period Total	Fiscal Total
May 1, 2004	$ 0.00	$ 327,934.69	$ 327,934.69	$ 327,934.69
November 1, 2004	0.00	437,246.25	437,246.25	
May 1, 2005	115,000.00	437,246.25	552,246.25	989,492.50
November 1, 2005	0.00	436,096.25	436,096.25	
May 1, 2006	1,125,000.00	436,096.25	1,561,096.25	1,997,192.50
November 1, 2006	0.00	424,846.25	424,846.25	
May 1, 2007	1,180,000.00	424,846.25	1,604,846.25	2,029,692.50
November 1, 2007	0.00	411,571.25	411,571.25	
May 1, 2008	1,210,000.00	411,571.25	1,621,571.25	2,033,142.50
November 1, 2008	0.00	394,933.75	394,933.75	
May 1, 2009	1,240,000.00	394,933.75	1,634,933.75	2,029,867.50
November 1, 2009	0.00	376,333.75	376,333.75	
May 1, 2010	1,275,000.00	376,333.75	1,651,333.75	2,027,667.50
November 1, 2010	0.00	355,615.00	355,615.00	
May 1, 2011	1,325,000.00	355,615.00	1,680,615.00	2,036,230.00
November 1, 2011	0.00	331,765.00	331,765.00	
May 1, 2012	1,375,000.00	331,765.00	1,706,765.00	2,038,530.00
November 1, 2012	0.00	297,390.00	297,390.00	
May 1, 2013	1,440,000.00	297,390.00	1,737,390.00	2,034,780.00
November 1, 2013	0.00	268,590.00	268,590.00	
May 1, 2014	835,000.00	268,590.00	1,103,590.00	1,372,180.00
November 1, 2014	0.00	251,890.00	251,890.00	
May 1, 2015	875,000.00	251,890.00	1,126,890.00	1,378,780.00
November 1, 2015	0.00	234,390.00	234,390.00	
May 1, 2016	900,000.00	234,390.00	1,134,390.00	1,368,780.00
November 1, 2016	0.00	216,390.00	216,390.00	
May 1, 2017	940,000.00	216,390.00	1,156,390.00	1,372,780.00
November 1, 2017	0.00	197,120.00	197,120.00	
May 1, 2018	980,000.00	197,120.00	1,177,120.00	1,374,240.00
November 1, 2018	0.00	176,540.00	176,540.00	
May 1, 2019	1,020,000.00	176,540.00	1,196,540.00	1,373,080.00
November 1, 2019	0.00	155,120.00	155,120.00	
May 1, 2020	1,065,000.00	155,120.00	1,220,120.00	1,375,240.00
November 1, 2020	0.00	132,488.75	132,488.75	
May 1, 2021	1,110,000.00	132,488.75	1,242,488.75	1,374,977.50
November 1, 2021	0.00	108,207.50	108,207.50	
May 1, 2022	1,160,000.00	108,207.50	1,268,207.50	1,376,415.00
November 1, 2022	0.00	82,687.50	82,687.50	
May 1, 2023	1,210,000.00	82,687.50	1,292,687.50	1,375,375.00
November 1, 2023	0.00	55,462.50	55,462.50	
May 1, 2024	1,265,000.00	55,462.50	1,320,462.50	1,375,925.00
November 1, 2024	0.00	27,000.00	27,000.00	
May 1, 2025	1,080,000.00	27,000.00	1,107,000.00	1,134,000.00
Totals	$22,725,000.00	$11,071,302.19	$33,796,302.19	

See "STATE BUILDING OWNERSHIP AUTHORITY—Debt Issuance" below.

Book–Entry System

DTC will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered 2003 Bond certificate will be issued for each issue of the 2003 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. See "APPENDIX F—BOOK–ENTRY SYSTEM" for a more detailed discussion of the book–entry system and DTC.

Manner Of Payment, Registration, Transfer And Exchange

The Trustee will keep or cause to be kept sufficient books for the registration, exchange and transfer of the 2003 Bonds (the "Register"). In all cases in which the privilege of exchanging or transferring the 2003 Bonds is exercised while the book–entry system is in effect, or in the event that the book–entry system is discontinued and 2003 Bonds are transferred or exchanged, the Authority shall execute, and the Trustee shall authenticate, register and deliver, 2003 Bonds in accordance with the provisions of the Indenture. In such cases, any 2003 Bond may, in accordance with its terms, be transferred upon the Register by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such registered 2003 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Similarly, 2003 Bonds may be exchanged in such instances at the principal corporate trust office of the Trustee for a like principal amount of 2003 Bonds of other authorized denominations. The Trustee will require the Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange, and the Trustee may in addition require the payment of a reasonable sum to cover expenses incurred by the Authority or the Trustee in connection with such transfer or exchange.

Neither the Authority nor the Trustee shall be required to issue, register the transfer of or exchange any 2003 Bond (i) during the period from the Regular Record Date or the Special Record Date, whichever the case may be, for a Bond Interest Payment Date or special interest payment date to such interest payment date, and (ii) during a period beginning at the opening of business 15 days before the date of the mailing of a notice of redemption of 2003 Bonds selected for redemption under the Indenture and ending at the close of business on the day of such mailing. Neither the Authority nor the Trustee shall be required to register the transfer or exchange of any 2003 Bond selected for redemption in whole or in part, except for the unredeemed portion of such 2003 Bond.

STATE BUILDING OWNERSHIP AUTHORITY

Establishment And Statutory Powers

The Authority was created in 1979 as a body politic and corporate of the State. 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 at 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 Bonds as they become due and to maintain, operate and insure the facilities. The necessary prior approval of the Legislature for the issuance of such bonds is given by specific acts, which acts are passed upon during a General Session of the Legislature.

The Authority is also empowered, among other things, to: (i) contract with others for needed services; and (ii) cause to be executed mortgages, trust deeds, indentures, pledge agreements, assignments, security agreements, and financing statements encumbering property acquired, or constructed by the Authority.

Organization

The Authority is comprised of three members: the Governor or designee, the State Treasurer and the Chair of the State Building Board. The Building Ownership Act directs DFCM to construct and maintain any facilities acquired or constructed for the Authority.

The Authority was recently restructured, explaining the short terms of office. Current Board Members of the Authority, their office and their respective terms in office are as follows:

Office/Position	Person	Time in Office	Expiration of Current Term
Lieutenant Governor/Chair (1)..................	Gayle F. McKeachnie	1 month	January 2005
State Building Board Chair/Vice Chair	Larry L. Jardine	1 year	January 2005
State Treasurer/Secretary	Edward T. Alter, CPA	1 year	January 2005

(1) Lieutenant Governor McKeachnie was sworn in as Lieutenant Governor on November 5, 2003 as the result of the former Lieutenant Governor, Olene S. Walker, becoming Governor. See "STATE OF UTAH GOVERNMENTAL ORGANIZATION—Governmental Departments" below.

State Building Board

The State Building Board consists of seven voting members who are appointed by the Governor. In addition, the director of the Governor's Office of Planning and Budget of the State is a non–voting member of the board. The board acts as a policy–making board for DFCM. The board's current statutory responsibilities include the preparation and maintenance of a five–year building plan for submission to the Governor and the Legislature, the establishment of design and construction standards for State facilities, the establishment of procurement rules for the design and construction and leasing of State facilities, and the establishment of policies and procedures regarding the functions of DFCM.

Division Of Facilities Construction And Management

DFCM was created in 1981 as part of a reorganization which brought several administrative functions under the Department of Administrative Services. Prior to that time, DFCM's functions were handled by the State Building Board. DFCM currently acts as staff to the State Building Board and assists it in carrying out its functions.

DFCM is responsible for the design and construction of the facilities used by all state agencies and institutions. DFCM contracts with private architectural, engineering, and construction firms for the design and construction of facilities. DFCM reviews plans prior to bidding and supervises the design and construction processes. DFCM also assists the State Building Board in the analysis of facility needs and the prioritization of capital projects.

DFCM is responsible for the leasing of all facilities for state agencies with some exceptions. Information regarding leases is submitted annually to the Legislature for its review and approval. Other responsibilities of DFCM include the management and maintenance of many State facilities, the allocation of space among State agencies, and the ownership of much of the State's real property.

Legal Borrowing Debt Capacity

The Authority may not issue any bonds or other obligations under the Building Ownership 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 December 30, 2003 (the closing date of the 2003 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)	$159,659,350,270
Fees in lieu of Ad Valorem Taxable Property (2)	11,116,588,123
Total Fair Market Value of Taxable Property (1)	$170,775,938,393
1.5% Debt Limit Amount	$2,561,639,076
Less: Currently outstanding State General Obligation Debt (Net) (3)	(1,595,423,483)
Less: The Authority's outstanding Lease Revenue Bonds (Net) (4)	(373,467,658)
Plus: Statutorily exempt State General Obligation Highway Debt (Net) (3)	983,611,136
Plus: Statutorily exempt Authority Lease Revenue Bonds	3,795,000
The Authority's Estimated Additional Debt Incurring Capacity	$1,580,154,071

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(1) Based on 2002 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 2002 "aged 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) Reflects 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) Reflects unamortized original issue bond premium that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

See "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority" above.

The State's Limited Lease Rental Obligation

The Building Ownership Act provides that, except as otherwise provided therein, bonds issued by the Authority thereunder shall be payable solely out of rentals or 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, from its own appropriated budget or other revenue sources, 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 Rental Obligation Bonds."*

Debt Issuance

Current Lease Revenue Obligation Bonds Outstanding. The 2003 Bonds of the Authority will be the thirteenth series of bonds to be issued under the State Facilities Master Lease Program. Under the State Facilities Master Lease Program, no debt service reserve fund is created for any bonds issued under the Indenture and Lease. Under this program, all Bonds are issued on a parity basis and are cross–collateralized by the facilities subject to the lien of the Indenture and the Mortgages.

The 2003 Bonds and all other 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—Covenant Regarding Legislative Appropriations; State Financing Consolidation Act; "Moral Obligation Bonds"" below. However, such bonds are considered to be State Lease Rental Obligation Bonds.

The Authority has the following bonds outstanding:

Issued (On A Parity Basis) Under The State Facilities Master Lease Program

(1) Series	Purpose	Original Amount	Final Maturity Date	(11) Outstanding as of Dec. 30, 2003
2003 (2)..........	Various purpose	$ 22,725,000	May 15, 2025	$ 22,725,000
2001C (3)	University of Utah	30,300,000	May 15, 2022	30,300,000
2001A............	University of Utah	69,850,000	May 15, 2021	69,850,000
2001B............	Various purpose	25,780,000	May 15, 2024	25,750,000
1999A (4).......	Various purpose	9,455,000	May 15, 2021	8,835,000
1998C (4)	Refunding	105,100,000	May 15, 2019	104,910,000
1998A (4).......	Various purpose (9)	25,710,000	May 15, 2020	16,565,000
1998B (4) (8)....	University of Utah	23,091,478	May 15, 2005	28,978,024
1997A (5).......	DABC 1997A Facilities	4,150,000	May 15, 2018	3,510,000
1996A (6).......	Various purpose	44,725,000	May 15, 2007 (10)	7,455,000
1996B (7)	University of Utah	16,875,000	May 15, 2013	12,550,000
1995A (6).......	Various purpose	93,000,000	May 15, 2007 (10)	15,435,000
1994A (6).......	Various purpose	30,915,000	May 15, 2005 (10)	3,700,000
Sub–total State Facilities Master Lease Program Bonds..				350,563,024
Plus Unamortized Original Issue Bond Premium (12)...				3,369,634
Total State Facilities Master Lease Program Bonds (Net)				$353,932,658

(1) Unless as otherwise indicated, the Authority's bonds issued under the State Facilities Master Lease Program have an underlying rating of "Aa1" by Moody's Investors Service ("Moody's"); and "AA+" by Standard & Poor's Ratings Group, a division of The McGraw–Hill Companies, Inc. ("S&P"), as of the date of this OFFICIAL STATEMENT. No rating was requested from any other rating agency.

(2) For purposes of this OFFICIAL STATEMENT the 2003 Bonds will be considered to be issued and outstanding. Rated of "Aa1" by Moody's and "AA+" by S&P.

(3) The 2001C Lease Revenue Bonds bear interest at a variable interest rate. As of the date of this OFFICIAL STATEMENT, the 2001C Lease Revenue Bonds have been rated "Aaa/VMIG1" by Moody's and "AAA/A–1+" by S&P.

(4) These bonds are rated "Aaa" (FSA Insured) by Moody's, and "AAA" (FSA Insured) by S&P, as of the date of this OFFICIAL STATEMENT.

(5) The 1997A Lease Revenue Bonds are rated "Aaa" (Ambac Insured) by Moody's and "AAA" (Ambac Insured) by S&P, as of the date of this OFFICIAL STATEMENT.

(6) Portions of this bond have been refunded by the 1998C Lease Revenue Bonds.

(7) The 1996B Lease Revenue Bonds are rated "Aaa" (MBIA Insured) by Moody's and "AAA" (MBIA Insured) by S&P, as of the date of this OFFICIAL STATEMENT.

(8) The Authority has received payments of approximately $29.6 million, which it has caused to be invested in United States Treasury STRIPS that mature on May 15, 2005 in an amount sufficient to pay debt service due on May 15, 2005 of $31,585,000, which amount will retire this debt.

(9) $3,795,000 of these bonds are exempt from the Authority's borrowing capacity statutory limit.

(10) Final maturity date after portions of this bond were refunded by the 1998C Lease Revenue Bonds.

(11) This is the scheduled issuance date for the 2003 Bonds.

(12) Reflects unamortized original issue bond premium that is treated as principal.

Other series of 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 2003 Bonds and all 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

(1) Series	Purpose	Original Amount	Final Maturity Date	Outstanding as of Dec. 30, 2003
1993A........	Human Services Building	$ 6,230,000	January 1, 2013	$ 3,965,000
1993B (2) ..	State Board of Education	8,160,000	January 1, 2004 (4)	380,000
1992A........	Employment Security (3)	26,200,000	August 15, 2011	14,405,000
1992B........	Youth Corrections	1,380,000	August 15, 2011	785,000
Total Authority's other bonds				$19,535,000

(1) These outstanding lease revenue bonds of the Authority are rated "Aa1" by Moody's, and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from any other rating agency.
(2) Portions of this bond were refunded by the 2003 Bonds.
(3) Refunding issue.
(4) Final maturity date after portions of this bond were refunded by the 2003 Bonds.

Summary

Total State Facilities Master Lease Program Bonds (Net)	$353,932,658
Total Authority's other bonds outstanding	19,535,000
Total Authority's Lease Revenue Bonds (Net)	$373,467,658

(Source: The Financial Advisor.)

Authorized 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 bonds for facilities authorized by the Legislature. Under existing legislative authorization, the Authority has approximately $13 million of remaining bonding authority, comprised of $10.5 million for capital projects from a 2000 authorization and $2.5 million for capital projects from a 1999 authorization) for future projects that may be undertaken solely by vote of the Authority.

No Defaulted Authority Bonds Or Failures By State To Renew Lease

As of the date of this OFFICIAL STATEMENT, neither the Authority nor the State has ever 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.

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Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year

Issued under the State Facilities Master Lease Program

Fiscal Year Ending	Series 2003 $22,725,000		Series 2001C $30,300,000		Series 2001A $69,850,000		Series 2001B $25,780,000		Series 1999A $9,455,000	
June 30	Principal	Interest	Principal (1)	Interest (2)	Principal	Interest	Principal	Interest	Principal	Interest
2004………………	$ 0	$ 327,935	$ 0	$ 749,044 (3)	$ 0	$ 3,472,500	$ 395,000	$ 1,183,440	$ 310,000	$ 474,938
2005………………	115,000	874,493	2,100,000	984,750	2,000,000	3,472,500	865,000	1,170,603	330,000	458,663
2006………………	1,125,000	872,193	1,100,000	916,500	3,175,000	3,392,500	895,000	1,136,003	345,000	441,338
2007………………	1,180,000	849,693	1,300,000	880,750	3,125,000	3,233,750	935,000	1,100,203	365,000	423,225
2008………………	1,210,000	823,143	1,400,000	838,500	3,250,000	3,077,500	965,000	1,062,803	380,000	404,063
2009………………	1,240,000	789,868	1,500,000	793,000	3,375,000	2,915,000	1,005,000	1,024,203	405,000	384,113
2010………………	1,275,000	752,668	1,500,000	744,250	3,500,000	2,746,250	1,055,000	984,003	425,000	362,850
2011………………	1,325,000	711,230	1,600,000	695,500	3,650,000	2,571,250	1,090,000	941,803	450,000	340,538
2012………………	1,375,000	663,530	1,700,000	643,500	3,800,000	2,388,750	1,135,000	898,203	470,000	316,913
2013………………	1,440,000	594,780	1,800,000	588,250	3,975,000	2,198,750	1,175,000	852,803	495,000	292,238
2014………………	835,000	537,180	1,800,000	529,750	4,175,000	2,000,000	1,225,000	804,628	525,000	266,250
2015………………	875,000	503,780	1,900,000	471,250	4,400,000	1,791,250	1,280,000	753,178	550,000 (t2)	238,425
2016………………	900,000	468,780	1,900,000	409,500	4,625,000	1,571,250	1,335,000	698,138	580,000 (t2)	208,175
2017………………	940,000	432,780	2,000,000	347,750	4,850,000	1,340,000	1,400,000	631,388	615,000 (t2)	176,275
2018………………	980,000	394,240	2,100,000	282,750	5,100,000	1,097,500	1,465,000	561,388	640,000 (t2)	142,450
2019………………	1,020,000	353,080	2,100,000	214,500	5,350,000	842,500	1,550,000	488,138	680,000 (t2)	107,250
2020………………	1,065,000	310,240	2,200,000	146,250	5,600,000	575,000	1,620,000	410,638	720,000 (t2)	69,850
2021………………	1,110,000	264,978	2,300,000	74,750	5,900,000	295,000	1,705,000	329,638	550,000 (t2)	30,250
2022………………	1,160,000	216,415	–	–	–	–	1,760,000 (t1)	244,388	–	–
2023………………	1,210,000	165,375	–	–	–	–	1,850,000 (t1)	151,988	–	–
2024………………	1,265,000	110,925	–	–	–	–	1,045,000 (t1)	54,863	–	–
2025………………	1,080,000	54,000	–	–	–	–	–	–	–	–
Totals……………	$ 22,725,000	$11,071,302	$ 30,300,000	$10,310,544	$69,850,000	$38,981,250	$25,750,000	$15,482,440	$8,835,000	$5,137,804

Issued under the State Facilities Master Lease Program

Fiscal Year Ending	Series 1998C $105,100,000		Series 1998A $25,710,000		Series 1998B $23,091,478		Series 1997A $4,150,000		Series 1996A $44,725,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004………………	$ 50,000	$ 5,739,930	$ 2,485,000	$ 822,540	$ 0	$ 0	$ 160,000	$ 172,823	$1,720,000	$ 410,025
2005………………	55,000	5,737,930	2,615,000	698,290	28,978,024	2,606,976	170,000	165,463	1,820,000	315,425
2006………………	1,120,000	5,735,675	705,000	567,540	–	–	180,000	157,643	1,905,000	215,325
2007………………	1,170,000	5,688,635	735,000	536,520	–	–	190,000	149,363	2,010,000	110,550
2008………………	7,715,000	5,638,325	775,000	503,445	–	–	195,000	140,623	0	0 (r)
2009………………	8,130,000	5,214,000	805,000	468,570	–	–	205,000	131,458	0	0 (r)
2010………………	8,575,000	4,766,850	840,000	431,540	–	–	215,000	121,618	0	0 (r)
2011………………	9,065,000	4,295,225	885,000	392,060	–	–	230,000	111,298	0	0 (r)
2012………………	8,995,000	3,796,650	920,000	349,580	–	–	240,000	100,028	0	0 (r)
2013………………	9,490,000	3,301,925	970,000 (t4)	304,500	–	–	250,000	88,028	0	0 (r)
2014………………	10,010,000	2,779,975	1,025,000 (t4)	253,575	–	–	265,000	75,528	0	0 (r)
2015………………	9,540,000	2,229,425	1,070,000 (t4)	199,763	–	–	280,000 (t5)	62,013	0	0 (r)
2016………………	9,950,000 (t3)	1,704,725	1,130,000 (t4)	143,588	–	–	295,000 (t5)	47,663	0	0 (r1)
2017………………	9,835,000 (t3)	1,157,475	1,190,000 (t4)	84,263	–	–	310,000 (t5)	32,544	0	0 (r)
2018………………	8,940,000 (t3)	616,550	135,000 (t4)	21,788	–	–	325,000 (t5)	16,656	0	0 (r)
2019………………	2,270,000 (t3)	124,850	135,000 (t4)	14,700	–	–	–	–	0	0 (r2)
2020………………	–	–	145,000 (t4)	7,613	–	–	–	–	–	–
2021………………	–	–	–	–	–	–	–	–	–	–
2022………………	–	–	–	–	–	–	–	–	–	–
2023………………	–	–	–	–	–	–	–	–	–	–
2024………………	–	–	–	–	–	–	–	–	–	–
2025………………	–	–	–	–	–	–	–	–	–	–
Totals……………	$104,910,000	$58,528,145	$ 16,565,000	$ 5,799,875	$28,978,024	$ 2,606,976	$ 3,510,000	$ 1,572,749	$7,455,000	$1,051,325

(1) These principal payments are based on the Authority's current expectations for the redemption of the Series 2001C Bonds. The Authority is not required by the Indenture to provide for such payment in advance of the maturity date of the Series 2001C Bonds. The maturity date for the Series 2001C Bonds is May 15, 2022.

(2) The Series 2001C Bonds are variable rate interest bonds. Interest has been estimated at an average coupon rate of 3.25% per annum.

(3) Includes $92,544 of actual interest paid from July 1, 2003 to October 31, 2003. From November 1, 2003 to June 30, 2004, interest has been estimated at 3.25% per annum ($656,500).

(t1) Mandatory sinking fund payments from a $4,655,000 5.25%, term bond due May 15, 2024.
(t2) Mandatory sinking fund payments from a $4,335,000 5.50%, term bond due May 15, 2021.
(t3) Mandatory sinking fund payments from a $30,995,000 5.50%, term bond due May 15, 2019.
(t4) Mandatory sinking fund payments from a $5,800,000, 5.25%, term bond due May 15, 2020.
(t5) Mandatory sinking fund payments from a $1,210,000, 5.125%, term bond due May 15, 2018.

(r) Principal and interest have been refunded by the Series 1998C Bonds.
(r1) Principal and interest have been refunded by the Series 1998C Bonds ($5,140,000, 6.00%, term bond which was due May 15, 2016).
(r2) Principal and interest have been refunded by the Series 1998C Bonds ($7,960,000, 6.00%, term bond which was due May 15, 2019).

Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year–continued

	Issued under the State Facilities Master Lease Program					
Fiscal	Series 1996B		Series 1995A		Series 1994A	
Year Ending	$16,875,000		$93,000,000		$30,915,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2004................	$ 995,000	$ 653,090	$ 3,575,000	$ 794,160	$1,805,000	$205,396
2005................	1,040,000	603,340	3,760,000	610,942	1,895,000	106,120
2006................	1,095,000	551,340	3,945,000	418,242	0	0 (r)
2007................	1,150,000	496,590	4,155,000	216,060	0	0 (r)
2008................	1,205,000	439,090	0	0 (r)	0	0 (r)
2009................	1,270,000	377,635	0	0 (r)	0	0 (r)
2010................	1,335,000	311,595	0	0 (r)	0	0 (r)
2011................	1,410,000 (t6)	240,840	0	0 (r)	0	0 (r)
2012................	1,485,000 (t6)	164,700	0	0 (r)	0	0 (r)
2013................	1,565,000 (t6)	84,510	0	0 (r)	0	0 (r)
2014................	–	–	0	0 (r)	0	0 (r)
2015................	–	–	0	0 (r)	0	0 (r)
2016................	–	–	0	0 (r)	0	0 (r)
2017................	–	–	0	0 (r)	0	0 (r)
2018................	–	–	0	0 (r3)	0	0 (r4)
2019................	–	–	–	–	–	–
2020................	–	–	–	–	–	–
2021................	–	–	–	–	–	–
2022................	–	–	–	–	–	–
2023................	–	–	–	–	–	–
2024................	–	–	–	–	–	–
2025................	–	–	–	–	–	–
Totals...............	$12,550,000	$3,922,730	$15,435,000	$2,039,404	$3,700,000	$311,516

(t6) Mandatory sinking fund payments from a $4,460,000, 5.40%, term bond due May 15, 2013.

(r3) Principal and interest has been refunded by the Series 1998C Bonds ($18,555,000, 5.75%, term bond which was due May 15, 2018).

(r4) Principal and interest have been refunded by the Series 1998C Bonds ($3,425,000, 6.25%, term bond which was due May 15, 2018).

Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year–continued

Issued Under Stand Alone Legal Documents

Fiscal	Series 1993B; $8,160,000			Series 1993A; $6,230,000			Series 1992B; $1,380,000			Series 1992A; $26,200,000		
Year Ending June 30	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2004…………	$ 380,000	$ 278,126	$ 658,126	$ 315,000	$ 202,405	$ 517,405	$ 75,000	$ 47,714	$ 122,714	$ 1,380,000	$ 863,275	$ 2,243,275
2005…………	0	0	0 (r5)	330,000	187,443	517,443	80,000	43,373	123,373	1,460,000	784,445	2,244,445
2006…………	0	0	0 (r5)	345,000	171,355	516,355	85,000	38,669	123,669	1,545,000	699,533	2,244,533
2007…………	0	0	0 (r5)	360,000	154,105	514,105	90,000	33,638	123,638	1,640,000	608,350	2,248,350
2008…………	0	0	0 (r5)	380,000	136,105	516,105	95,000	28,319	123,319	1,735,000	511,319	2,246,319
2009…………	0	0	0 (r5)	400,000	116,725	516,725	100,000	22,713	122,713	1,835,000	408,681	2,243,681
2010…………	0	0	0 (r5)	425,000	96,125	521,125	105,000	16,819	121,819	1,945,000	300,006	2,245,006
2011…………	0	0	0 (r6)	445,000 (t7)	74,025	519,025	110,000	10,500	120,500	2,060,000	184,863	2,244,863
2012…………	0	0	0 (r6)	470,000 (t7)	50,663	520,663	120,000	3,600	123,600	2,185,000	62,819	2,247,819
2013…………	0	0	0 (r6)	495,000 (t7)	25,988	520,988	–	–	–	–	–	–
2014…………	0	0	0 (r6)	–	–	–	–	–	–	–	–	–
2015…………	–	–	–	–	–	–	–	–	–	–	–	–
2016…………	–	–	–	–	–	–	–	–	–	–	–	–
2017…………	–	–	–	–	–	–	–	–	–	–	–	–
2018…………	–	–	–	–	–	–	–	–	–	–	–	–
2019…………	–	–	–	–	–	–	–	–	–	–	–	–
2020…………	–	–	–	–	–	–	–	–	–	–	–	–
2021…………	–	–	–	–	–	–	–	–	–	–	–	–
2022…………	–	–	–	–	–	–	–	–	–	–	–	–
2023…………	–	–	–	–	–	–	–	–	–	–	–	–
2024…………	–	–	–	–	–	–	–	–	–	–	–	–
2025…………	–	–	–	–	–	–	–	–	–	–	–	–
Totals……….	$ 380,000	$ 278,126	$ 658,126	$ 3,965,000	$ 1,214,939	$ 5,179,939	$ 860,000	$ 245,345	$ 1,105,345	$ 15,785,000	$ 4,423,291	$ 20,208,291

Fiscal	Total Bonds issued under **State Facilities Master Lease Program***			Total Bonds issued under **Stand Alone Legal Documents**			**Total All Lease Obligations***		
Year Ending June 30	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service
2004…………	$ 11,495,000	$ 15,005,821	$ 26,500,821	$ 2,150,000	$1,391,520	$ 3,541,520	$ 13,645,000	$ 16,397,341	$ 30,042,341
2005…………	45,743,024	17,805,495	63,548,519	1,870,000	1,015,261	2,885,261	47,613,024	18,820,756	66,433,780
2006…………	15,590,000	14,404,299	29,994,299	1,975,000	909,557	2,884,557	17,565,000	15,313,856	32,878,856
2007…………	16,315,000	13,685,339	30,000,339	2,090,000	796,093	2,886,093	18,405,000	14,481,432	32,886,432
2008…………	17,095,000	12,927,492	30,022,492	2,210,000	675,743	2,885,743	19,305,000	13,603,235	32,908,235
2009…………	17,935,000	12,097,847	30,032,847	2,335,000	548,119	2,883,119	20,270,000	12,645,966	32,915,966
2010…………	18,720,000	11,221,624	29,941,624	2,475,000	412,950	2,887,950	21,195,000	11,634,574	32,829,574
2011…………	19,705,000	10,299,744	30,004,744	2,615,000	269,388	2,884,388	22,320,000	10,569,132	32,889,132
2012…………	20,120,000	9,321,854	29,441,854	2,775,000	117,082	2,892,082	22,895,000	9,438,936	32,333,936
2013…………	21,160,000	8,305,784	29,465,784	495,000	25,988	520,988	21,655,000	8,331,772	29,986,772
2014…………	19,860,000	7,246,886	27,106,886	–	–	–	19,860,000	7,246,886	27,106,886
2015…………	19,895,000	6,249,084	26,144,084	–	–	–	19,895,000	6,249,084	26,144,084
2016…………	20,715,000	5,251,819	25,966,819	–	–	–	20,715,000	5,251,819	25,966,819
2017…………	21,140,000	4,202,475	25,342,475	–	–	–	21,140,000	4,202,475	25,342,475
2018…………	19,685,000	3,133,322	22,818,322	–	–	–	19,685,000	3,133,322	22,818,322
2019…………	13,105,000	2,145,018	15,250,018	–	–	–	13,105,000	2,145,018	15,250,018
2020…………	11,350,000	1,519,591	12,869,591	–	–	–	11,350,000	1,519,591	12,869,591
2021…………	11,565,000	994,616	12,559,616	–	–	–	11,565,000	994,616	12,559,616
2022…………	2,920,000	460,803	3,380,803	–	–	–	2,920,000	460,803	3,380,803
2023…………	3,060,000	317,363	3,377,363	–	–	–	3,060,000	317,363	3,377,363
2024…………	2,310,000	165,788	2,475,788	–	–	–	2,310,000	165,788	2,475,788
2025…………	1,080,000	54,000	1,134,000	–	–	–	1,080,000	54,000	1,134,000
Totals……….	$350,563,024	$156,816,060	$507,379,084	$20,990,000	$6,161,701	$27,151,701	$371,553,024	$162,977,761	$534,530,785

* Preliminary; subject to change. The Authority has variable interest rate demand bonds outstanding.

(r5) Principal and interest were refunded by the 2003 Bonds.
(r6) Principal and interest were refunded by the 2003 Bonds ($2,345,000, 5.25%, term bond which was due January 1, 2014).
(t7) Mandatory sinking fund payments from a $1,410,000, 5.25%, term bond due January 1, 2013.

THE MORTGAGED FACILITIES

The Mortgaged Facilities As Security For The 2003 Bonds

The 2003 Bonds are equally and ratably secured by the lien of the Indenture and the Lease, subject to the terms, conditions, limitations and exceptions set forth therein. Upon the occurrence of an Event of Default under the Indenture or the occurrence of an Event of Nonappropriation under the Lease, the State shall be required to vacate the Mortgaged Facilities, the Trustee shall have all rights and remedies to take possession of the Mortgaged Facilities as trustee for the benefit of the Owners of the 2003 Bonds, and the Trustee may exercise various remedies against or with respect to the Mortgaged Facilities under the Indenture and the Lease for the proportionate benefit of the Owners of the 2003 Bonds, subject to the limitation on remedies and acceleration during acquisition and construction of any of the Mortgaged Facilities. See in this section "Cross–Collateralization" below. See "THE 2003 BONDS—Security And Sources Of Payment For The 2003 Bonds–The Lease and the Indenture" above. Under the Lease, an Event of Nonappropriation will occur if the Legislature fails or refuses to specifically appropriate moneys sufficient to pay the Rentals with respect to a portion of the Mortgaged Facilities coming due in any fiscal year under the Lease.

Certain of the Mortgaged Facilities are part of larger projects, additional funding for which has come from sources other than Bonds issued under the Indenture ("Non–Bond Financed Projects"). Mortgaged Facilities do not include any Non–Bond Financed Project portions except to the extent, if any, covered by the appropriate Site Leases where necessary to provide requisite structural support for the respective Mortgaged Facilities.

The 2003 Facilities

The 2003 Facilities include:

(a) the acquisition of the 1993B Facilities (as a result of using a portion of the 2003 Bonds to refund the 1993B Bonds), in the amount of approximately $5.2 million, for the State Board of Education of the State and related improvements on land located in Salt Lake County, Utah;

(b) the acquisition and construction of a State–operated alcoholic beverage outlet for the Department of Alcoholic Beverage Control of the State and related facilities, property and improvements on land located in Tooele County, Utah;

(c) the acquisition and construction of an approximately $13.9 million courthouse building for the West Jordan (Salt Lake County) Courts of the State and related facilities, property and improvements on land located in Salt Lake County, Utah; and

(d) the acquisition and construction of an office building for the Divers License Division of the State and related facilities, property and improvements on land located in Salt Lake County, Utah, owned by the State and leased to the Authority.

The Mortgaged Facilities Financed With Prior Parity Bonds

Set forth below is a brief description of the Mortgaged Facilities financed through the proceeds of the Prior Parity Bonds.

The Mortgaged Facilities consist of approximately 36 separate facilities, located in various counties within the State, that are used by various departments of State government and state bodies including the Department of Alcoholic Beverage Control, the University of Utah, the University of Utah Health Sciences Center, the College of Eastern Utah, various District and Juvenile Courts, the Department of Corrections, the Department of Community and Economic Development, the Department of Human Services, the Department of Natural Resources and its Division of Parks and Recreation, the State Office of Education, the Department of Environmental Quality, the Department of Transportation and others. The 10 most significant of these facilities include:

(i) The Huntsman Cancer Institute expansion, a $105 million dollar cancer research hospital adjacent to the existing Huntsman Cancer Institute (a 214,000 square–foot, six–story facility), located on the campus of the University of Utah Health Sciences Center. This approximate 272,000 square–foot, six–story facility was financed with approximately $100.2 million ($30.3 million of variable rate bonds and approximately $69.9 million fixed rate bonds) issued by the Authority; and various public and private contributions;

(ii) The State Courts Complex, a five–story structure with approximately 417,000 square feet of space located in Salt Lake City. The Authority issued approximately $60.7 million of bonds to finance this facility;

(iii) The University's new student housing facilities, a $120.1 million project, on the University campus. These facilities are financed with approximately $22.7 million of bonds issued by the Authority, $86 million issued by the University, and the remaining from available moneys from the University and interest during construction. These student housing facilities do not constitute part of the Mortgaged Facilities and no mortgage lien or other security interest has been created with respect to such facilities for the security of the 2003 Bonds. However, the Authority was granted a leasehold mortgage on a performing arts auditorium at the University known as Kingsbury Hall, which is included in the Mortgaged Facilities. The Authority has received payments in an amount sufficient to retire these bonds on May 15, 2005.

(iv) Two office buildings located in Salt Lake City, totaling approximately 77,000 square feet of space, used by the Department of Environmental Quality ("DEQ"). The Authority issued approximately $18.3 million of bonds to finance these facilities;

(v) The Huntsman Cancer Institute, a $73 million dollar cancer research center adjacent to the University's Health Sciences Center. This was financed with approximately $16.9 million of bonds issued by the Authority and various public and private contributions;

(vi) The 2003 Facilities (the West Jordan (Salt Lake County) Courts Complex) courts project. The Authority will issue approximately $13.9 million of 2003 Bonds to finance this facility.

(vii) The acquisition of a Youth Corrections Facility in Salt Lake County to be used by the Department of Human Services. The Authority issued approximately $13.3 million of bonds to finance this facility;

(viii) An office building of approximately 137,000 square feet in Salt Lake County used by the Department of Community and Economic Development ("DCED"). The Authority issued approximately $13.1 million of bonds to finance this facility;

(ix) An office building of approximately 95,000 square feet, used by the Department of Natural Resources ("DNR"). The Authority issued approximately $10.6 million of bonds to finance this facility; and

(x) The Davis County Courts Complex. The Authority issued approximately $10.5 million of bonds to finance this facility.

The following table provides further summary information regarding the Mortgaged Facilities:

Facility	Construction Status	Scheduled Collateral Release Date (May 16) (1)
Huntsman Cancer Institute (expansion)	To be completed in October 2004	2022
State Courts Complex	Completed–1998	2018
University of Utah (housing)	Completed–2001	2005
DEQ Office	Completed–1993–1995	2014
Huntsman Cancer Institute	Completed–1999	2013
West Jordan (Salt Lake County) Courts	To be completed in October 2005	2025
Youth Corrections	Completed–1998	2017
DCED Office	Completed–1999	2019
DNR Office	Completed–1997	2017
Davis County Courts	Completed–1999	2019
All Other Facilities	Completed or under construction	2005–2025

(1) See “Release Of Portions Of Mortgaged Facilities–Scheduled Release of Mortgaged Facilities” below.

Cross–Collateralization

Subject to the paragraph in the following section “Release Of Portions Of Mortgaged Facilities,” pursuant to the Indenture and the Lease, all of the 2003 Bonds issued under the Indenture are cross–collateralized in that the Authority has granted to the Trustee, for the benefit of the Owners of all of the 2003 Bonds, a mortgage and security interest in all of the Authority’s right, title and interest in the Mortgaged Facilities. The occurrence of an Event of Default under the Indenture or an Event of Nonappropriation under the Lease will entitle the Trustee to take possession of the Mortgaged Facilities and to exercise its rights and remedies to the extent provided in the Indenture against the Mortgaged Facilities in such manner and order as the Trustee determines to be in the best interests of the Owners of the 2003 Bonds then outstanding. However, the security interest in some of the Mortgaged Facilities may be released prior to the payment of all of the 2003 Bonds as described below under “Release of Portions of Mortgaged Facilities–Release of Portions of Mortgaged Facilities Upon Discharge of Related Series of Bonds.”

Release Of Portions Of Mortgaged Facilities

Under the terms and conditions provided in the Indenture and the Lease, portions of the Mortgaged Facilities may be released from the liens of the Indenture and the Mortgages and the terms of the Lease as follows:

General Release of Portions of Mortgaged Facilities

So long as no Event of Default or Event of Nonappropriation has occurred under the Lease and is then continuing, the State and the Authority may make, from time to time, without the consent of the Trustee or the Owners of the 2003 Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the Mortgaged Facilities are located as the State and the Authority mutually agree to be necessary and desirable to facilitate the use and development by the State, its successors, permitted sublessees and assigns, of such sites; provided, however, that the portions of each such respective site remaining subject to the Lease and the Indenture after any such modification, alteration, amendment to, or deletion from, such site shall (i) be capable of being operated as a separate and independent functional unit without additional cost to the occupant, (ii) be a single legal parcel of land or a combination of contiguous legal parcels, (iii) include the Mortgaged Facilities located on each such respective site financed with the proceeds of sale of the 2003 Bonds or the replacement of such Mortgaged

Facilities, (iv) have adequate access to and from public streets and easements for the maintenance of all utilities and (v) not be in violation of any applicable law, rule, regulation, ordinance, covenant or restriction relating thereto. The State and the Authority covenant in the Lease not to agree to any modification, alteration, amendment or addition to or deletion from the sites on which any of the Mortgaged Facilities are located that would reduce the fair rental value of the Mortgaged Facilities remaining subject to the Lease (such value to be determined in each instance with reference to the value to the State based upon its use of the Mortgaged Facilities under the Lease and not with reference to such value as may be applicable for a different use or by a different user of the Mortgaged Facilities) below the Rentals payable under the Lease or adversely affect the excludibility from gross income for federal income tax purposes of interest on the 2003 Bonds or otherwise adversely affect the purposes for which the Authority acquired the Mortgaged Facilities and for which the State is leasing the Mortgaged Facilities pursuant to the Lease.

Release of Portions of Mortgaged Facilities Upon Exercise of Purchase Option

The Authority's interest in any portion of the Mortgaged Facilities representing separate Mortgaged Facilities shall be transferred to the State and title thereto shall thereupon vest in the State upon the exercise by the State of its option to purchase such separate Mortgaged Facilities upon the terms and conditions provided in the Lease.

Release of Portions of Mortgaged Facilities Upon Discharge of Related Series of Bonds

At such time as all Bonds of one or more Series issued to finance or refinance any separately identifiable portion of the Mortgaged Facilities are deemed to be paid under the Indenture, such Bonds shall no longer be secured by or entitled to the benefits of the Indenture or the Mortgages, except for the purposes of registration and exchange of Bonds and from moneys or Government Obligations (as that term is defined in the Indenture) deposited with or for the benefit of the Trustee therefor, and the Trustee shall release the liens and security interests granted by the Indenture and the Mortgages with respect to such portions of the Mortgaged Facilities.

Release of Portions of Mortgaged Facilities

So long as no Event of Nonappropriation or Event of Default has occurred and is then continuing under the Lease or the Indenture, the State shall be entitled to designate to the Authority and the Trustee components of certain Mortgaged Facilities to be released from the security interests and lien granted to the Trustee by the Indenture and the related Mortgage, but only to the extent that the value of the Mortgaged Facilities remaining subject to such security interests and lien immediately after such proposed release is not less than the then unpaid principal balance of the portion of the Base Rentals relating to the remaining components of such Mortgaged Facilities.

Scheduled Release of Mortgaged Facilities

So long as no Event of Default has occurred and is then continuing under the Indenture or the Mortgage relating to a Facility to be released and assuming the State has not previously exercised its option to purchase such Mortgaged Facilities, the security interest and liens granted to the Trustee by the Indenture and such Mortgage are scheduled to be released on certain dates specified in the Lease and the Indenture.

Notwithstanding anything to the contrary in the Lease, no portion of the Mortgaged Facilities shall be released, unless, in each instance, the State delivers to the Trustee, the Authority and each of the Appropriate Rating Agencies written notice of the proposed release at least 10 days in advance of such release together with a certificate executed by an Authorized Lessee Representative to the effect that the release of the portion of the Mortgaged Facilities identified in the applicable notice required by the Lease will not reduce the fair rental value of the Mortgaged Facilities remaining subject to the Lease (such value to be determined in each instance with reference to the value to the State based upon its use of the Mortgaged Facilities under the Lease and not with reference to such value as may be applicable for a different use or by a different user of the Mortgaged Facilities) below the Rentals payable under the Lease from and after such release.

Maintenance Of The Mortgaged Facilities

The State has agreed in the Lease, at its own expense, to maintain, manage and operate the Mortgaged Facilities in good order, condition and repair, ordinary wear and tear excepted. The State will provide or cause to be provided for all power, gas, telephone, light, heating and water and all other public utility services. See "APPENDIX B—BASIC DOCUMENTATION–THE LEASE–Maintenance And Operation" below.

STATE OF UTAH GOVERNMENTAL ORGANIZATION

The following description of State government emphasizes those functions of government that might have a direct bearing or effect on the financial condition of the State and the State's bonded indebtedness, and is not intended as a detailed description of all functions of the State's government.

Governmental Departments

The Constitution of the State (the "State Constitution") divides the powers of government into three distinct departments: the Legislative Department, the Executive Department and the Judicial Department.

Legislative Department

The Legislature is composed of a Senate (29 members) and a House of Representatives (75 members). The Legislature meets in regular session annually for 45 calendar days beginning the third Monday in January.

The Legislature establishes basic State policies and prescribes administrative functions through its lawmaking, investigative and fiscal powers. The Legislature imposes taxes to provide revenue and makes appropriations to carry out all the activities of State government. The Legislature also provides some financial support of certain local activities, such as roads and schools.

Executive Department

The Executive Department consists of the offices of Governor, Lieutenant Governor, State Auditor, State Treasurer, and Attorney General, each of which is an elective office. The terms of office of each of these officials are four years each and run concurrently. Current executive department members and their respective terms in office are as follows:

Office	Person	Time in Office	Expiration of Current Term
Governor (1)	Olene S. Walker	1 month	January 2005
Lieutenant Governor (1)	Gayle F. McKeachnie	1 month	January 2005
State Auditor	Auston G. Johnson, III, CPA	8 years	January 2005
State Treasurer	Edward T. Alter, CPA	23 years	January 2005
Attorney General	Mark L. Shurtleff	3 years	January 2005

(1) Effective November 6, 2003, President George W. Bush appointed Governor Michael O. Leavitt to head the Environmental Protection Agency necessitating his resignation as Governor. Lieutenant Governor Olene S. Walker assumed the office of the Governor, and Gayle F. McKeachnie assumed the office of Lieutenant Governor on November 5, 2003.

Judicial Department

The State Constitution provides that the "judicial power of the State shall be vested 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." The State statutes list such other courts as the Court of Appeals, the juvenile courts, justice courts, and the small claim courts. The Supreme Court, the Court of Appeals, the district courts, and the juvenile courts are all courts of record. In addition, most departments and agencies of the State have administrative proceedings which are conducted pursuant to the Utah Administrative Procedures Act by administrative law judges or hearing officers, whose determinations are subject to appeal through the judicial system.

Certain Commissions And Agencies

The following contains information regarding certain State commissions and administrative agencies in finance, administration and planning of State government:

Utah State Tax Commission

The Utah State Tax Commission (the "State Tax Commission") is a four–member commission with members appointed by the Governor with the consent of the Senate. No more than two members of the State Tax Commission may be of the same political party. The State Tax Commission has a number of operating divisions, each of which is responsible for administering major areas of tax and collection. The State Tax Commission's powers and responsibilities include, among others, the following:

(a) administration, supervision and enforcement of the tax laws of the State and the formulation of State tax policy through rules, guidelines and directives;

(b) assessment and equalization of Centrally–Assessed Properties (as hereinafter defined) including mines, railroads, public utilities, pipelines and certain other properties;

(c) administration of funding for the minimum school program and levying the State–wide minimum basic property tax rate based on appropriations set by the Legislature;

(d) collection of various State taxes, including State sales and use tax, local option sales taxes, individual income tax, corporate franchise (income) taxes, and motor fuel and special fuel taxes;

(e) collection and distribution of the local option sales taxes and seven additional optional sales taxes to the State's cities, towns and counties; and

(f) administration of the State's motor vehicle registration laws.

Department of Administrative Services

The Department of Administrative Services (the "Department") coordinates the agencies that provide administrative support to State government.

Among the purposes of the Department are to provide effective, coordinated management of State administrative services, to serve the public interest by providing services in a cost–effective and efficient manner, by eliminating unnecessary duplication, to enable administrators to respond effectively to technological improvements, to emphasize the service role of State administrative service agencies in meeting the service needs of user agencies, and to protect the public interest by insuring the integrity of the fiscal accounting procedures and policies which govern the operation of agencies and institutions to assure that funds are expended properly and lawfully. The Department is presently composed of the following divisions: Finance; Facilities Construction and Management; Administrative Rules; Archives and Records;

Information Technology Services; Purchasing and General Services; Risk Management; Fleet Operations; and Debt Collection.

Division of Finance. The Director of Finance is appointed by the Executive Director of the Department with the Governor's approval and serves at the pleasure of the Executive Director. The Director of Finance is the State's Chief Fiscal Officer and, ex–officio, the State's Accounting Officer. The statutes creating the Division of Finance give it authority and responsibility to:

(a) maintain financial accounts for State departments including work programs, appropriations, allotments and expenditures;

(b) maintain a central accounting system and approve accounting systems of State departments;

(c) supervise enforcement of travel rules and regulations;

(d) audit all claims against the State for which an appropriation has been made;

(e) approve proposed expenditures for the purchase of supplies and services requested by State agencies except institutions of higher education; and

(f) issue financial reports of the State and report financial information to the Governor and Legislature when requested.

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.

Planning. State planning coordination encompasses a broad mix of intergovernmental coordination; data development, research and analysis; and special issue resolution. The Governor's Office of Planning and Budget directs these activities based on guidance from the Governor and the Legislature. The office's intergovernmental coordination function includes a systematic review of all federal, state or local actions that impact the State's physical resources, as well the coordination of State agency planning and State/local planning. Data development, research and analysis occur in the office in support of the budgeting and planning priorities. The office forecasts and monitors State revenues, prepares economic and demographic projections, analyzes the impacts of projects, and conducts research on policy issues important to the Governor.

Budget Preparation. Spending agencies must prepare a proposed work program and the estimated requirements to accomplish the program together with the source of funds available for its financing. Budget requests with supporting information and revenue projections are reviewed by the Governor, who transmits his own budget recommendations to the Legislature.

Review and Adoption. The Legislature reviews the budget requests, together with all other related information, and adopts a final budget in the amount it deems advisable for each activity in relation to all other functions of the governmental unit. It is primarily the prerogative of the Legislature to determine the major policies and programs.

Budget Execution. The spending agencies carry out their planned programs within the limitations prescribed by the Legislature. The Division of Finance and the Governor's Office of Planning and Budget review all planned expenditures by spending agencies to make sure that they conform with and do not exceed the limits authorized by the Legislature. This review is intended primarily to ensure that expenditures are authorized by the law.

DEBT STRUCTURE OF THE STATE OF UTAH

Legal Borrowing Authority

Constitutional and Statutory Limitations on State General Obligation Indebtedness

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 the incurring of such debt. As of December 30, 2003 (the closing date for the 2003 Bonds), the application of this constitutional debt limit and the additional debt incurring capacity of the State under the Constitution are shown as follows:

Fair Market Value of Ad Valorem Taxable Property (1)	$159,659,350,270
Uniform Fees in lieu of Ad Valorem Taxable Property (2)	11,116,588,123
Total Fair Market Value of Taxable Property (1)	$170,775,938,393
Constitutional Debt Limit (1.5%)	$2,561,639,076
Less: Currently outstanding General Obligation Debt (Net) (3)	(1,595,423,483)
Estimated Additional Constitutional Debt Incurring Capacity of the State (4)	$ 966,215,593

(1) Based on 2002 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 2002 "aged 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) Reflects 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.

See in this section "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" below.

Statutory General Obligation Debt Limit. Title 63, Chapter 38c, 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 20% of the maximum allowable State budget appropriations limit as provided in that act, which limits State government appropriations based upon a formula that reflects the average of changes in personal income and the combined changes in population and inflation.

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 and bond anticipation notes from the limitations imposed by the State Appropriations and Tax Limitation Act.

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Using the budget appropriations for the Fiscal Year 2004, 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 follows:

Statutory General Obligation Debt Limit (1)	$861,151,880
Less: Statutorily Applicable General Obligation Debt (Net) (2)	(611,812,347)
Remaining Statutory General Obligation Debt Incurring Capacity	$249,339,533

(1) 20% of the Fiscal Year 2004 appropriation limit of $4,305,759,400.

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

As additional general obligation bonds are issued and outstanding general obligation bonds are retired, the unused maximum general obligation borrowing capacity of the State under the State Appropriations and Tax Limitation Act will fluctuate. The State Appropriations and Tax Limitation Act may be amended in the future by majority vote of both houses of the Legislature.

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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 1999 through 2003 is as follows:

	Fiscal Year Ended June 30 (in thousands) (1)				
	2003	2002	2001	2000	1999
Fair Market Value of Ad Valorem Taxable Property (2)	$159,659,350	$153,166,346	$142,253,454	$132,115,079	$135,046,912
Fees in lieu of Ad Valorem Tax (3)	11,116,588	10,019,394	10,075,896	10,009,634	–
Fair Market Value for Debt Incurring Capacity	$170,775,938	$163,185,740	$152,329,350	$142,124,713	$135,046,912
Constitutional:					
Constitutional Debt Limit	$2,561,639	$2,447,786	$2,284,940	$2,131,871	$2,025,704
Outstanding Constitutional General Obligation Debt (Net) (4)	(1,713,755)	(1,498,371)	(1,146,000)	(1,212,325)	(1,251,525)
Additional Debt Incurring Capacity (*constitutional*)	$ 847,884	$ 949,415	$1,138,940	$ 919,546	$ 774,179
Statutory:					
Statutory General Obligation Debt Limit	$830,137	$835,341	$759,702	$734,709	$705,972
Outstanding General Obligation Debt (Net) (4) (5)	(693,706)	(494,367)	(238,000)	(304,325)	(343,525)
Additional General Obligation Debt Incurring Capacity (*statutory*)	$136,431	$340,974	$521,702	$430,384	$362,447

(1) Rounded to the nearest thousand.
(2) For Fiscal Year 1999, the valuation figures include the value of property that was made subject to the uniform fees–in–lieu of ad valorem taxes for motor vehicles and other tangible personal property as of January 1, 1999. To reflect the fact that such property is now subject to these uniform fees (instead of ad valorem taxes), such property is excluded from total Fair Market Value or Market Value for the Fiscal Year 2000, and thereafter. Moreover, actual collection of ad valorem taxes is affected by legislation that may limit the percentage of fair market value which may be used as the basis for taxation.
(3) Beginning in Fiscal Year 2000, 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 0.015) is added to the fair market value of the taxable property in the State.
(4) Reflects 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. Beginning in Fiscal Year 2002, bond premiums and deferred amount on refunding are deferred and amortized over the life of the bonds. This change was necessary because of implementing Statement 34 of the Governmental Accounting Standards Board ("GASB").
(5) Certain general obligation highway indebtedness is exempt from the State Appropriations and Tax Limitation Act.

(Sources: Property Tax Division, State Tax Commission (as to Taxable Value only) and the Financial Advisor.)

See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" below.

Authorized General Obligation Bonds and Future General Obligation Bonds Issuance

The State has approximately $61 million ($7.3 million for capital projects from a 2003 authorization, $26.4 million for highway projects from a 2003 authorization, $21.3 million for higher education building projects from a 2002 authorization, and $6 million for transportation projects from a 2000 authorization) 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 State traditionally issues bonds each year and may, subsequent to December 31, 2003, issue some or all of the additional $61 million aggregate principal amount of authorized and unissued general obligation bonds.

Outstanding General Obligation Indebtedness

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

(1) Series	Purpose	Original Amount	Final Maturity Date	(8) Outstanding as of Dec. 30, 2003
2003A (2)	Various purpose	$407,405,000	July 1, 2016	$ 407,405,000
2002B (3)	Refunding	253,100,000	July 1, 2012	253,100,000
2002A	Various purpose	281,200,000	July 1, 2015	267,040,000
2001B (4)	Various purpose	348,000,000	July 1, 2014	348,000,000
2001A	Building	15,000,000	July 1, 2004	15,000,000
1999E	Building	38,000,000	July 1, 2004	38,000,000
1998A (3) (5)	Various purpose	265,000,000	July 1, 2008 (7)	84,075,000
1997F (3) (5)	Highway projects	205,000,000	July 1, 2007 (7)	64,300,000
1997C (6)	Capital projects	36,355,000	July 1, 2003	0
1997D (6)	Computer system	8,500,000	July 1, 2003	0
1997E (3) (5)	Highway projects	135,000,000	July 1, 2007 (7)	34,950,000
Sub–total Principal Amount of General Obligation Debt				1,511,870,000
Plus Unamortized Original Issue Bond Premium (9)				96,622,557
Less Deferred Amount on Refunding (9)				(13,069,074)
Total General Obligation Debt (Net)				$1,595,423,483

(1) Unless otherwise indicated, the outstanding general obligation bonds of the State are currently rated "AAA" by Fitch Ratings ("Fitch"); "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT.
(2) As of December 30, 2003, $174.1 million of these bonds are exempt from statutory debt limit calculations.
(3) These bonds are exempt from statutory debt limit calculations.
(4) As of December 30, 2003, $334.25 million of these bonds are exempt from statutory debt limit calculations.
(5) Portions of these bond issues were refunded by the 2002B General Obligation Bonds.
(6) These bonds are included in this table because the final principal and interest payments occurred within the Fiscal Year 2004. See "Debt Service Schedule of Outstanding General Obligation Bonds By Fiscal Year below.
(7) Final maturity date after portions of these bond issues were refunded by the 2002B General Obligation Bonds.
(8) This is the scheduled issuance date for the 2003 Bonds.
(9) Reflects unamortized original issue bond premium and deferred amount on refunding.

(Source: Division of Finance.)

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

Fiscal Year Ending June 30	Series 2003A $407,405,000 Principal	Series 2003A Interest	Series 2002B $253,100,000 Principal	Series 2002B Interest	Series 2002A $281,200,000 Principal	Series 2002A Interest	Series 2001B $348,000,000 Principal	Series 2001B Interest	Series 2001A $15,000,000 Principal	Series 2001A Interest
2004………….	$ 0	$ 9,989,370	$ 0	$ 13,432,456	$ 14,160,000	$ 13,742,963	$ 0	$ 15,660,000	$ 0	$ 600,000
2005………….	0	19,438,775	2,035,000	13,401,931	4,850,000	13,445,688	41,425,000	14,727,938	15,000,000	300,000
2006………….	1,095,000	19,427,825	205,000	13,368,331	45,740,000	12,217,313	34,900,000	13,010,625	–	–
2007………….	7,775,000	19,222,500	160,000	13,362,856	48,075,000	9,871,938	33,250,000	11,477,250	–	–
2008………….	12,825,000	18,707,500	120,000	13,358,656	50,575,000	7,405,688	34,650,000	9,949,500	–	–
2009………….	59,300,000	17,200,875	29,455,000	12,583,663	5,525,000	6,003,188	36,125,000	8,357,063	–	–
2010………….	61,125,000	14,639,563	50,835,000	10,481,778	5,750,000	5,721,313	37,650,000	6,697,125	–	–
2011………….	50,025,000	12,013,625	53,670,000	7,710,706	6,000,000	5,427,563	39,325,000	4,965,188	–	–
2012………….	15,100,000	10,385,500	56,705,000	4,744,378	6,325,000	5,111,531	41,050,000	3,156,750	–	–
2013………….	52,575,000	8,693,625	59,915,000	1,610,216	0	4,945,500	11,550,000	1,973,250	–	–
2014………….	55,300,000	5,996,750	–	–	6,650,000	4,770,938	12,100,000	1,441,125	–	–
2015………….	18,500,000	4,151,750	–	–	29,350,000	3,825,938	25,975,000	584,438	–	–
2016………….	16,000,000	3,289,250	–	–	58,200,000	1,527,750	–	–	–	–
2017………….	57,785,000	1,444,625	–	–	–	–	–	–	–	–
Totals………..	$407,405,000	$164,601,533	$253,100,000	$104,054,971	$281,200,000	$ 94,017,306	$348,000,000	$ 92,000,252	$ 15,000,000	$ 900,000

Fiscal Year Ending June 30	Series 1999E $38,000,000 Principal	Series 1999E Interest	Series 1998A $265,000,000 Principal	Series 1998A Interest	Series 1997F $205,000,000 Principal	Series 1997F Interest	Series 1997C $36,355,000 Principal	Series 1997C Interest	Series 1997D $8,500,000 Principal	Series 1997D Interest
2004………….	$ 0	$ 1,710,000	$ 38,150,000	$ 5,157,500	$ 14,075,000	$ 3,888,375	$ 36,355,000	$ 999,763	$ 3,645,000	$ 100,238
2005………….	38,000,000	855,000	14,975,000	3,829,375	14,825,000	3,128,813	–	–	–	–
2006………….	–	–	15,850,000	3,058,750	15,625,000	2,291,438	–	–	–	–
2007………….	–	–	16,775,000	2,243,125	16,475,000	1,408,688	–	–	–	–
2008………….	–	–	17,750,000	1,380,000	17,375,000	477,813	–	–	–	–
2009………….	–	–	18,725,000	468,125	0	0 (r)	–	–	–	–
2010………….	–	–	0	0 (r)	0	0 (r)	–	–	–	–
2011………….	–	–	0	0 (r)	0	0 (r)	–	–	–	–
2012………….	–	–	0	0 (r)	0	0 (r)	–	–	–	–
2013………….	–	–	0	0 (r)	0	0 (r)	–	–	–	–
2014………….	–	–	–	–	–	–	–	–	–	–
2015………….	–	–	–	–	–	–	–	–	–	–
2016………….	–	–	–	–	–	–	–	–	–	–
2017………….	–	–	–	–	–	–	–	–	–	–
Totals………..	$ 38,000,000	$ 2,565,000	$122,225,000	$ 16,136,875	$ 78,375,000	$ 11,195,127	$ 36,355,000	$ 999,763	$ 3,645,000	$ 100,238

Fiscal Year Ending June 30	Series 1997E $135,000,000 Principal	Series 1997E Interest	Totals (1) Total Principal	Totals (1) Total Interest	Totals (1) Total Debt Service
2004………….	$ 5,425,000	$ 2,058,500 (r1)	$ 111,810,000	$ 67,339,165	$ 179,149,165
2005………….	5,175,000	1,773,469 (r2)	136,285,000	70,900,988	207,185,988
2006………….	9,350,000	1,380,500 (r3)	122,765,000	64,754,782	187,519,782
2007………….	9,925,000	850,438 (r4)	132,435,000	58,436,794	190,871,794
2008………….	10,500,000	288,750 (r5)	143,795,000	51,567,907	195,362,907
2009………….	0	0 (r)	149,130,000	44,612,914	193,742,914
2010………….	0	0 (r)	155,360,000	37,539,779	192,899,779
2011………….	0	0 (r)	149,020,000	30,117,082	179,137,082
2012………….	0	0 (r)	119,180,000	23,398,159	142,578,159
2013………….	0	0 (r)	124,040,000	17,222,591	141,262,591
2014………….	–	–	74,050,000	12,208,813	86,258,813
2015………….	–	–	73,825,000	8,562,126	82,387,126
2016………….	–	–	74,200,000	4,817,000	79,017,000
2017………….	–	–	57,785,000	1,444,625	59,229,625
Totals………..	$ 40,375,000	$ 6,351,656	$1,623,680,000	$492,922,722	$ 2,116,602,722

(1) This table reflects the State's debt service schedule for its outstanding General Obligation Bonds for the fiscal year shown. This information is basec on payments (cash basis) falling due in that particular fiscal year
(r) Principal and interest has been refunded by the 2002B General Obligation Bonds.
(r1) $3,750,000 (of the original maturity of $9,175,000) has been refunded by the 2002B General Obligation Bonds
(r2) $4,500,000 (of the original maturity of $9,675,000) has been refunded by the 2002B General Obligation Bonds
(r3) $850,000 (of the original maturity of $10,200,000) has been refunded by the 2002B General Obligation Bonds
(r4) $850,000 (of the original maturity of $10,775,000) has been refunded by the 2002B General Obligation Bonds
(r5) $850,000 (of the original maturity of $11,350,000) has been refunded by the 2002B General Obligation Bonds

(Source: Zions Bank Public Finance.)

The following tables reflect the State's principal amounts of general obligation debt, as measured by population, personal income, taxable value and fair market/market value for the fiscal years shown and estimated as of December 30, 2003 (which is the proposed closing date of the 2003 Bonds).

	Fiscal Year Ended June 30				
	2003	2002	2001	2000	1999
Outstanding General Obligation Debt (000's) (Net) (1)	$1,713,755	$1,498,371	$1,146,000	$1,212,325	$1,251,525
Debt Ratios:					
Per Capita	$721	$641	$499	$540	$571
As % of Total Personal Income	3.04%	2.66%	2.09%	2.30%	2.56%
As % of Taxable Value (2)	1.50%	1.36%	1.12%	1.28%	1.25%
As % of Fair Market/Market Value (2)	1.07%	0.98%	0.81%	0.92%	0.93%

	Estimated As of December 30, 2003
Outstanding General Obligation Debt (Net) (1)	$1,595,423,483
Debt Ratios:	
Per Capita	$682
As % of Total Personal Income	2.83%
As % of Taxable Value (2)	1.35%
As % of Fair Market Value/Market Value (2)	0.96%

(1) Reflects unamortized original issue bond premium and deferred amount on refunding.
(2) For Fiscal Year 1999, these figures are based on property valuations which include the value of taxable property in the State including property made subject to the uniform fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property as of January 1, 1999. To reflect the fact that property subject to these uniform fees is no longer subject to ad valorem taxes, such property is excluded from the property values upon which these figures are based for the Fiscal Year 2000 and thereafter.

(Source: Division of Finance and the 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)				
	2003	2002	2001	2000	1999
General Fund Expenditures	$3,519,422	$3,412,413	$3,088,090	$2,902,455	$2,794,536
Debt Service Expenditures	$189,020	$175,188	$158,886	$158,274	$153,540
Ratio of Debt Service to General Fund Expenditures	5.37%	5.13%	5.15%	5.45%	5.49%
Total All Governmental Funds Expenditures (1)	$6,702,566	$6,597,787	$6,233,721	$5,979,692	$5,900,004
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	2.82%	2.66%	2.55%	2.65%	2.60%

(1) Beginning in the Fiscal Year 2002, all Governmental Funds include expenditures of the State's major and nonmajor governmental funds (except the Trust Lands permanent fund). These changes were necessary because of implementing GASB Statement 34. The comparability of 2003 and 2002 expenditure amounts and the related ratios to the 2001 and prior amounts are affected. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Changes In Accounting Standards" below.

(Sources: Division of Finance and the Fiscal Year 2003 Comprehensive Annual Financial Report (the "2003 CAFR").)

The 2003 Bonds are not General Obligations

Neither the 2003 Bonds nor the Lease will constitute general obligations of the State or the Authority. See "INTRODUCTION—Security; Cross Collateralization" and "—Risks Inherent In The Ownership Of The 2003 Bonds–Limited Obligations" above.

Lease Obligations

The State leases office buildings, other real property, 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. 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").

Operating leases (leases on assets not recorded on the Balance Sheet) 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 assets. 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.

The total operating lease expenditures for Fiscal Years 2002 and 2003 were approximately $31.2 million and $26.5 million, respectively, for the primary government, and $17.6 million and $16.5 million, respectively, for component units. For a detailed report and description of operating and capital leases see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003—Notes to the Financial Statements, Note 9. Lease Commitments."

Revenue Bonds And Notes

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 (formerly known as the Utah Housing Finance Agency), the State Board of Regents (student loans and college and university capital projects), and the State of Utah, State Building Ownership Authority. Current information regarding such revenue bonds and notes is provided below.

For a detailed report and description of the various revenue bonds and notes see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003—Notes to the Financial Statements, Note 10. Long–Term Liabilities."

Covenant Regarding Legislative Appropriations; State Financing Consolidation Act; "Moral Obligation Bonds"

The statutes under which the Utah Housing Corporation, the State Board of Regents and the Utah Communications Agency Network are organized provide that the head of each agency shall certify to the Governor on or before December 1 of each year the amount, if any, necessary to restore any capital reserve or debt service reserve fund established by the agency to its required amount. In the case of revenue bonds issued to finance a capital project for an institution of higher education, the chairman of the State Board of Regents may also 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.

In addition, the State Treasurer has issued revenue bonds under the State Financing Consolidation Act, as discussed below, and has established debt service reserve funds to secure such bonds. The State Treasurer is authorized to certify to the Governor the amount necessary to restore such reserve funds in the same manner as described above.

In each case upon receipt of such a certification, the Governor may then request from the Legislature an appropriation of the amount so certified. The Governor is not required to request an appropriation from the Legislature and the Legislature is under no obligation to make any appropriation requested by the Governor. Bonds issued under the covenant to "restore any capital reserve or debt service reserve funds" are referred to herein as "*State Moral Obligation Bonds*."

The amounts of State Moral Obligation Bonds outstanding are set forth below.

Utah Housing Corporation. The Utah Housing Corporation had outstanding as of July 1, 2003 (the agency updates information every six months) approximately $1.19 billion of single family and multifamily housing revenue bonds, *approximately $29.2 million of which were issued as State Moral Obligation Bonds*. These revenue bonds were issued to provide funds to the Utah Housing Corporation and are secured by and payable from payments on loans payable to and assets of the Utah Housing Corporation.

State Board of Regents. The State Board of Regents has approximately $1.34 billion of student loan revenue bonds outstanding, *all* of which were issued as State Moral Obligation Bonds. The State Board of Regents has one series of revenue bonds outstanding in the amount of approximately $7.8 million, which was issued as State Moral Obligation Bonds. In addition, the State Board of Regents has outstanding approximately $350 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, *approximately $242 million of which were issued as State Moral Obligation Bonds*. The student loan revenue bonds are issued to provide funds to the State's Student Loan Program and are secured by and payable from payment on student loans purchased by the State Board of Regents. In additional certain revenue bonds issued by individual colleges and universities are secured by and payable from student building fees, housing fees, grant fees, etc.

Utah Communications Agency Network. The Utah Communications Agency Network (an independent State agency)("UCAN") has approximately $11.9 million of refunding revenue bonds outstanding, *all* of which are State Moral Obligation Bonds. These bonds are secured by and payable from revenues derived from operation of the emergency communication system. See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003—Notes to the Financial Statements, Note 16. Joint Venture" below.

State Financing Consolidation Act. Approximately $2.6 million of revenue bonds are outstanding under the State Financing Consolidation Act, *all* of which were issued as State Moral Obligation Bonds. These revenue bonds were issued to provide funds to the State's Drinking Water Board and Board of Water Resources and are secured by and payable from bonds, notes and other obligations issued by certain political subdivisions of the State that are held by the State Treasurer.

The Utah Housing Corporation and the State Board of Regents also have issued, and may issue in the future, bonds that are not designed as Moral Obligation Bonds of the State. However, these agencies may seek legislative appropriations to cover budget shortfalls, and such appropriations, if made, would be a draw on State revenues.

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 qualifying boards of education of Utah school districts ("Qualifying School Boards"). The primary purpose of the Guaranty Act is to reduce borrowing costs for Qualifying School Boards by providing credit enhancement for Guarantied Bonds.

In the event a Qualifying 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 (a) use any of its available moneys, (b) seek a short–term loan from the Permanent School Fund (although the Fund is not required to make the loan) or (c) issue its short–term general obligation notes. The Qualifying 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 Qualifying School Board. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" below. The Guaranty Act also contains provisions to compel the Qualifying School Board to levy a tax sufficient to reimburse the State for such payments and to provide oversight to assure that the Qualifying School Board will ultimately be responsible for payment of debt service on the Guarantied Bonds.

The State Superintendent of Public Instruction is charged by the Guaranty Act with the responsibility of monitoring the financial affairs, condition, and solvency of each local school board in the State and reporting, at least annually, its 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 and recommend a course of remedial action.

The State does not expect that it will be required to advance moneys for the payment of debt service on Guarantied Bonds in the foreseeable future. Accordingly, the State believes that it would normally have sufficient cash available to make such payments. In the event sufficient moneys are not available, the Guaranty Act provides that the State may issue its general obligation notes on an expedited basis in an amount sufficient to make the necessary payment plus costs of issuance. The payments of principal of and interest on such notes from taxes or other identified State revenues are secured by a pledge of the full faith, credit, and resources of the State. The Guaranty Act also provides that such notes do not constitute debt of the State for purposes of the debt limitation of the Utah Constitution.

The State guaranty is extended by the State Treasurer to a Qualifying School District after a review of the application and a recommendation for the guaranty by the State Superintendent of Public Instruction. The State Treasurer has the authority to withhold any guaranty or to terminate the issuance of future guaranties at any time. Determinations of future ineligibility do not reverse or remove prior State guaranties.

During Fiscal Year 2004, the State will have approximately $1.49 billion principal amount outstanding of Guarantied Bonds. 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.

As of the date of this OFFICIAL STATEMENT, the State has not been requested to make payments on any Guarantied Bonds under the provisions of the Guaranty Act.

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.

FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

Current Economic Overview[4]

General

As has been the case for the national economy, the State's economy has been much weaker during the past few years than in previous years. While the State's economy is expected to remain flat in the short–term, the long–term economic outlook is favorable for a variety of reasons, including the State's diversified economy, continued population growth and other favorable demographic characteristics. It has been the State's recent experience that it lags behind more populous centers of the Country both in the commencement of recessionary periods and their conclusion.

Specific Economic Performance Measures

The State's population continues to grow albeit more slowly than in the late 1990's. According to the Utah Population Estimates Committee, the State's population reached 2,338,761 in 2002. This is an increase of 42,790 persons, or 1.9%, since the 2001 estimate. The State consistently ranks among the fastest growing states in the nation and was recently ranked as the seventh fastest–growing state in the nation by the Census Bureau. On average, births account for approximately 60% of the State's population growth with the balance coming from net in–migration.

During 2002, the State experienced its worst decline in economic activity since the 1950's. Nonfarm employment decreased by 8,200 jobs, a contraction rate of 0.8% and the largest since 1954. This compares with a national contraction of 0.9% for 2002. From September 2002 to September 2003, non–farm employment experienced no growth, according to the Utah Department of Workforce Services. This compares to a national employment decline of (0.4)% in the same period. Employment growth is expected to remain flat for the rest of 2003, and to rebound modestly in 2004.

The State's unemployment rate rose from 4.4% in 2001 to 6.1% in 2002. This unemployment rate was the highest in a decade and was slightly higher than the equivalent national unemployment rate of 5.8%. An average of about 70,000 people were out of work each month in 2002. While the nation's unemployment rate has remained near 6%, the State has seen its unemployment rate drop from the highs it experienced in 2002. In September 2003 the State recorded a seasonally adjusted unemployment rate of 5.1%, versus 6.1% for the nation. The State's current unemployment rate is expected to remain fairly stable into 2004.

According to the North American Industry Classification System ("NAICS"), the State's largest industry is trade, transportation, and utilities, comprising 19.8% of all employment. Other large industries include government (18.2%), professional and business services (12.3%), education and health services (11.0%), and manufacturing (10.4%).

From September 2002 to 2003, the rate of job change in the State's major industries ranged from a 2.6% increase in the education and health sectors to a (–4.2)% decrease in the natural resources sector. Financial activities grew by 2.2% and government grew by 0.5%. In contrast, the industries that contracted included manufacturing (–1.8%), trade, transportation, and utilities (–0.9%), leisure and hospitality (–0.6%), professional and business services (–0.5%), information (–0.3%), other services (–0.3%), and construction (–0.1%). Growth in the finance industry resulted from low interest rates, which encouraged mortgage refinancing and other interest–sensitive transactions.

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4 This overview is the product of the Demographic and Economic Analysis Section of the Governor's Office of Planning and Budget.

The State's average annual pay for a nonagricultural job was $30,119 during 2002, up 1.6% from 2001. By the end of 2003 it is expected that average annual pay in the State will increase to $30,481 per job, representing a growth rate of 1.2% from 2002.

The State's total personal income increased by 2.7% in 2002, compared with 2.8% nationally in the same year. This growth was slower than the 2001 rate of personal income growth which was 4.3% for the State and 3.3% for the nation. By the end of 2003, the State's personal income is expected to increase by 2.4%, compared to 3.4% for the nation.

The State's economy is well balanced and diversified with a broad base of industries. Based on the Hachman Index,[5] the State's economic diversity has increased over time as the industries in which the State has previously specialized (federal government and extractive industries) have contracted, while new industries (computer hardware and software, biomedical, tourism, and particular types of manufacturing) have emerged and grown.

Revenues and Expenditures for Fiscal Years 2003, 2002 and 2001

The following table summarizes the State's revenues and expenditures for Fiscal Years 2003, 2002 and 2001:

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

	Fiscal Year Ending June 30, 2003		Fiscal Year Ending June 30, 2002		Fiscal Year Ending June 30, 2001	
	Amounts (in thousands)	% Change From Prior Year	Amounts (in thousands)	% Change From Prior Year	Amounts (in thousands)	% Change From Prior Year
Revenues (1)						
Federal revenues	$2,046,399	11%	$1,846,910	8%	$1,708,063	8%
Individual and corporate income taxes	1,748,649	2	1,709,107	(10)	1,895,817	3
Sales tax	1,481,823	1	1,473,479	1	1,465,301	5
Motor/special fuel taxes	321,370	–	321,682	4	310,000	(1)
Other taxes	210,992	6	198,438	3	193,530	(17)
Liquor profits	33,063	2	32,541	8	30,253	6
Other	546,632	1	541,212	(3)	558,601	7
Total	$6,388,928	4%	$6,123,369	(1)%	$6,161,565	4%
Expenditures	$6,255,022	–%	$6,258,170	6%	$5,917,805	5%

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

(Source: Division of Finance and the 2003 CAFR.)

5 This index measures how closely the employment distribution of the subject region resembles that of the reference region. The value of the index is between zero and one. As the value of the index approaches one, it indicates that the subject region's employment distribution among industries is more similar to that of the reference region. If the Hachman Index value equals one, then the subject's economy is identical to the reference region. In this scenario, the subject region is the State and the reference region is the United States. The State scores a 0.98 on the Hachman Index. The assumption is that the nation's economy is diversified, thus a larger value of the Hachman Index relative to the nation means that a subject region has a more diversified economy.

Recent Developments

Background

The State has two major funds to pay for most government operations, the General Fund and the Uniform School Fund. By law, the Uniform School Fund can only be used for public education (kindergarten through 12^{th} grade) and higher education (State colleges, universities and technical schools). The General Fund holds money for most other State functions except transportation, which has its own funds.

Budget Management

The State ended Fiscal Year 2003 with a surplus of $27.7 million. This surplus amount can be explained by certain one time actions such as $14.3 million received from the federal government for jobs and growth relief, and $13.4 million from budget reductions and revenue transfers to the general fund, including from specially allocated sales tax revenues. By law, $6.7 million, or 50% of the $13.4 million State–generated portion of the surplus was transferred to the Rainy Day Fund, $5.2 million was designated for accrued Industrial Assistance Fund credits, and $1.5 million was designated for debt service. The $14.3 million in federal funds was carried forward for appropriation in Fiscal Year 2004.

The Uniform School Fund ended Fiscal Year 2003 with a surplus of $2.4 million. By law, 25% of this surplus amount was transferred to the Education Budget Reserve Account.

The Fiscal Year 2004 budget was initially established by actions of the Legislature in the 2003 General Session. The estimated revenues used by the Legislature during the 2003 General Session were $3.54 billion. The Legislature balanced the budget by using the funds carried over from Fiscal Year 2003, eliminating certain sales tax exemptions, implementing additional program reductions, transferring moneys from restricted and tobacco settlement funds, and utilizing other miscellaneous sources. Those adjustments also made funding available for increases in Medicaid, public education and higher education, and increased benefits for State and higher education employees.

Revenue collections to date are tracking with the estimates used by the 2003 General Session.

Budget Reserve Accounts

The State maintains a Budget Reserve Account (called the “Rainy Day Fund”) which can only be used to cover operating deficits or retroactive tax refunds. To cover budget shortfalls for Fiscal Year 2002, the Legislature appropriated approximately $105.3 million from the Rainy Day Fund.

State law requires 25% of any General Fund surplus to be deposited in the Rainy Day Fund. The 2002 Legislature passed legislation providing for the replenishment of the Rainy Day Fund by annually transferring an additional 25% to the Rainy Day Fund (total of 50%) of any General Fund surplus until appropriations from the Rainy Day Fund have been repaid.

The 2003 Legislature passed legislation that also allows payments from the Rainy Day Fund for State settlement agreements approved by the Legislature.

The current balance in the General Fund Rainy Day Fund is approximately $26.6 million.

During the 2003 General Session, legislation was approved that establishes the Education Budget Reserve Account (the “Education Reserve”) in addition to the Rainy Day Fund. The Education Reserve is a reserve to cover operating deficits that may occur in the public and higher education systems. The Education Reserve is to receive 25% of any surplus in the Uniform School Fund at the end of each fiscal year. The Legislature also established a ceiling on the combined balances of the Rainy Day Fund and the Education Reserve equal to 6% of the combined total of appropriations for all purposes from the General Fund and the Uniform School Fund. The current combined ceiling is approximately $216 million.

Highway Programs

In 1998, the State began a 10–year plan to construct and improve various highways throughout the State (the "Centennial Highway Program"). The current estimated cost of the planned projects through Fiscal Year 2007 is approximately $3.36 billion. By the end of Fiscal Year 2003, it is expected that approximately $2.38 billion will have been spent.

The largest component of the plan was the reconstruction and expansion of the main interstate highway ("I–15") running through the Salt Lake County metropolitan area. The I–15 project was completed in July 2001 at a cost of $1.56 billion. The other projects within the 10–year plan are in various stages of planning and construction.

Because the construction schedule for the 10–year plan requires the expenditure of moneys faster than funds will be collected, it has been and will be necessary for the State to borrow money to finance the program. To date, various sessions of the Legislature have authorized the issuance of approximately $1.30 billion of highway general obligation bonds, most of which have been issued.

To pay for the $3.36 billion cost of the Centennial Highway Program, the State is using $1.04 billion from the State's General Fund**,** with the balance coming from fuel taxes, registration fees, federal funds and other sources.

The Centennial Highway Program is in addition to the regular five–year highway construction, repair and maintenance program of the Utah Department of Transportation. This five–year highway program is primarily funded from fuel taxes, registration fees, federal funds and other sources. Approximately $100 million is spent on this five–year highway program each year.

Financial Settlement with the Tobacco Industry

The State was one of 46 states that entered into a master settlement agreement with major tobacco manufacturing companies in November 1998. Under the terms of the agreement, the State received approximately $32.5 million during Fiscal Year 2002 and approximately $32.3 million during Fiscal Year 2003. The State anticipates receiving settlement payments of approximately $26 million per year until Fiscal Year 2008 when "strategic payments" begin. (Strategic payments refer to added payments to the State as a result of its participation as a plaintiff in the lawsuits against the tobacco companies.) However, the settlement payments are subject to a number of adjustments which may substantially reduce or increase the amount the State will ultimately receive and to the ability of the tobacco companies to pay such settlement payments.

In 2000, State voters approved an amendment to the State Constitution to establish a permanent State trust fund to hold a portion of the tobacco settlement payments and to provide procedures for the disposition of those payments and assets of the trust. The constitutional amendment provides, in effect, that the settlement payments are to be appropriated by the Legislature[6] and that the assets in the trust fund cannot be appropriated except by a three–fourths vote of both houses of the Legislature. However, income from the trust fund is to be deposited into the General Fund and is available for appropriation by the Legislature.

The 2000 Legislature allocated 50% of the tobacco settlement payments to the trust fund, with the remaining 50% of the settlement payments allocated to certain health–related programs including children's health, cancer research and treatment, and smoking prevention and cessation. The 2003 Legislature

6 In all cases, the Governor must concur with the actions of the Legislature.

adjusted this allocation formula as follows. For Fiscal Year 2004, 20% of the settlement payments are allocated to the trust fund and 80% of the settlement payments are allocated to the health–related programs. For Fiscal Years 2005 through 2007, the original 50%/50% allocation will apply. Beginning in Fiscal Year 2008 and thereafter, 60% of the settlement payments are allocated to the trust fund and 40% are allocated to the health–related programs.

The Legislature has also provided that 50% of the trust fund income is to remain in the trust fund while the remaining income may be appropriated by the Legislature for any State purpose.

During 2002 and 2003, the Legislature authorized the use of $44.4 million of tobacco settlement trust fund assets to balance the Fiscal Year 2003 deficits.

The current balance in the trust fund is approximately $12 million.

The State has not issued and does not plan to issue tobacco securitization bonds.

Federal Economic Stimulus and Tax Legislation

It is not expected that the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 will have a substantial impact on the State's budget during the six–year period beginning with Fiscal Year 2002 and ending with Fiscal Year 2007. While those federal acts made a variety of changes that, among other things, affected federal grants to the State and the computation of State income taxes, it is currently expected that the total net impact of both acts will be to increase State revenues only by about $21 million spread over the entire six–year period.

Future Considerations

Quality Growth

The State, like other rapidly growing states, faces ongoing challenges in providing infrastructure and public services to a growing population and expanding economy. State government provides leadership by investing in infrastructure, prudently managing State resources, and participating in long–range planning efforts.

Currently, the State is a major partner in a quality growth partnership called "Envision Utah." This is a multi–year, multi–million dollar, citizen–led effort to create a publicly supported quality growth strategy. In 1999, the Legislature passed the Quality Growth Act, creating a Quality Growth Commission to manage a critical land conservation fund and make recommendations to the Legislature about growth issues. The Commission is currently preparing an updated version of its quality growth strategy, which will help frame the future decisions of policymakers. Both of these efforts are intended to preserve and enhance the quality of life in the State.

Quality growth planning efforts, the long–term economic stimulus of the 2002 Olympic Winter Games, and the ongoing diversification of the State's economy position the State favorably for the future. Other factors that bode well for the State's future are its well–educated and youthful workforce; the healthy lifestyles of its residents; a pro–business regulatory environment; low business taxes; and a solid utility, communications, education, and transportation infrastructure.

Demographic Factors

The State's ratio of dependents to non–dependents is nearly the highest in the nation according to the 2000 census. For every 100 people of working age, the State has 69 people who are not of working age, consisting of 16 children under the age of five, 39 school age children, and 14 seniors age 65 and older.

This compares to the national average of 11 under age five, 31 school age children, and 20 seniors, totaling 62 for every 100 people of working age.

Over the next decade, the State will add more than 150,000 new school age children and more than 365,000 people in the working age group. The growing number of school age children has the potential of placing stress on State and local education resources. However, this growing workforce will help the State's economic future.

Currently, there are 486,960 children in public education out of a total State population of approximately 2,339,000. Enrollment growth for Fiscal Year 2004 is expected to be approximately 1.5%.

Other Future Budgetary Considerations

As previously mentioned, future budgetary pressure will occur from enrollment growth in public and higher education. Budgetary pressure is also expected in the Medicaid program; required increases in funding the retirement systems for State and education employees; and increasing health care costs for State and education employees, inmates, and others in State custody and care.

Changes in Accounting Standards

GASB issued significant new accounting and reporting standards that were effective for the Fiscal Year 2002. GASB Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments changes the way governments report their financial information. The new reporting standards require the presentation of government–wide financial statements using the accrual basis of accounting and presents summarized information for governmental activities, business–type activities, and component units. The new government–wide balance sheet includes all the capital assets and long–term liabilities of the State, which were previously reported in account groups prior to the implementation of GASB Statement 34. The standards still require presentation of the governmental fund statements using the modified accrual basis of accounting, but the reporting focus changed to individual major funds rather than fund types and the criteria for determining fund types was changed.

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 the Fiscal Year 2003. For the complete discussion see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003–Management's Discussion and Analysis" (after the Independent State Auditor's Report) below.

Five–Year Financial Summaries

The following summaries were extracted from the State's audited financial statements for the Fiscal Years 1999 through 2003. 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.

Unless otherwise noted, the financial information for the Fiscal Years' prior to Fiscal Year 2002 have not been restated to reflect the changes in accounting standards.

State of Utah

Combined Balance Sheet—All Governmental Fund Types Only

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2003 (1)	2002 (1)	2001 (2)	2000	1999
Assets:					
Cash and cash equivalents	$ 505,731	$ 284,444	$ 586,836	$ 659,836	$ 419,820
Investments	648,211	785,121	313,565	292,254	412,513
Receivables:					
Accounts, net (3)	598,616	485,522	523,415	335,129	348,356
Accrued taxes, net (3)	524,670	581,065	548,537	380,909	355,872
Notes / mortgages, net (4)	12,297	13,355	280,350	256,979	189,138
Accrued interest (4)	111	32	1,952	1,817	1,944
Due from other funds	51,532	54,173	115,209	72,685	76,414
Due from component units	18,922	29,016	29,939	22,031	44,711
Interfund loans receivable	43,546	44,638	24,322	28,699	30,611
Inventories	7,537	8,894	8,728	9,721	10,529
Total assets	$ 2,411,173	$ 2,286,260	$ 2,432,853	$ 2,060,060	$ 1,889,908
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 537,522	$ 510,618	$ 423,000	$ 393,282	$ 394,397
Due to other funds	40,171	65,469	98,126	58,361	63,535
Due to component units	4,812	–	359	75	–
Deferred revenue (3)	320,381	279,983	392,194	114,351	45,742
Interfund loans payable	2,478	2,478	2,478	2,478	–
Leave/Postemployment benefits (5)	–	–	260,268	248,149	228,758
Total liabilities	905,364	858,548	1,176,425	816,696	732,432
Fund balances:					
Reserved	704,592	801,664	764,662	755,004	905,733
Unreserved designated	466,206	385,833	393,290	328,501	272,169
Unreserved undesignated (6)	335,011	240,215	98,476	159,859	(20,426)
Total fund balances	1,505,809	1,427,712	1,256,428	1,243,364	1,157,476
Total liabilities and fund balances	$ 2,411,173	$ 2,286,260	$ 2,432,853	$ 2,060,060	$ 1,889,908

(1) Beginning in Fiscal Year 2002, this summary includes balances of the State's major and nonmajor governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of 2003 and 2002 balances to the 2001 and prior years' balances is affected.

(2) Prior to Fiscal Year 2002, this summary included balances from the State's Governmental fund types, which included the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

(3) Increases in these accounts, beginning with the Fiscal Year 2001, are mainly due to the implementation of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions.* This statement resulted in greater amounts of Accounts Receivable, Accrued Taxes, and Deferred Revenue due to changes in revenue recognition criteria. The revenues resulting from the increased receivables were deferred because they were not available for use by the government during the period indicated.

(4) Decreases in these accounts, beginning in Fiscal Year 2002, are primarily due to the implementation of GASB Statement 34, which resulted in certain water loan funds and housing loan funds being reclassified from Governmental funds to Proprietary funds.

(5) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

(6) The deficit in Fiscal Year 1999 was a result of contractual obligations being greater than available financial resources in the capital projects fund as allowed in statute. These contractual obligations were funded from the subsequent year's revenues and appropriations.

(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)				
	2003 (1)	2002 (1)	2001	2000	1999
Revenues:					
Taxes:					
Sales tax	$ 1,447,281	$ 1,437,339	$ 1,441,046	$ 1,378,949	$ 1,324,608
Other taxes	187,397	172,307	194,250	216,313	128,967
Total taxes	1,634,678	1,609,646	1,635,296	1,595,262	1,453,575
Other revenues:					
Federal contracts and grants	1,524,832	1,341,072	1,214,201	1,127,858	1,094,490
Charges for services	182,090	192,190	181,748	164,790	159,462
Licenses, permits and fees	17,745	17,721	16,963	16,738	16,328
Federal mineral lease	46,335	29,367	49,566	34,957	28,962
Investment income	8,258	15,333	45,468	35,600	28,966
Miscellaneous and other	124,422	114,449	74,325	85,202	44,228
Total revenues	3,538,360	3,319,778	3,217,567	3,060,407	2,826,011
Expenditures:					
Current:					
General government and courts	248,629	261,238	254,001	245,940	249,337
Human services and youth corrections	532,270	529,403	333,327	340,466	324,758
Corrections, adult	176,624	182,860	183,395	175,198	154,725
Public safety	122,830	147,728	120,454	107,554	103,777
Health and environmental quality	1,171,877	1,055,856	1,097,147	985,888	926,002
Higher education–state administration	34,891	42,155	36,118	31,280	28,693
Higher education–colleges and universities (2)	592,668	610,837	–	–	–
Employment and family services	362,931	321,154	286,304	285,517	302,665
Natural resources	132,388	119,383	104,859	97,586	90,794
Community and economic development	88,731	86,160	82,381	73,881	73,116
Business, labor, and agriculture	55,583	55,639	49,417	46,233	44,268
Leave/Postemployment benefits (3)	–	–	7,083	12,828	17,204
Total expenditures	3,519,422	3,412,413	2,554,486	2,402,371	2,315,339
Excess revenues over (under) expenditures	18,938	(92,635)	663,081	658,036	510,672
Other financing sources (uses):					
Proceeds of revenue bonds/contracts	–	–	1,602	–	–
General obligation bonds issued	–	–	–	–	15,000
Premium on bonds issued	–	–	–	–	650
Operating transfers in	146,547	223,529	268,793	248,069	225,520
Operating transfers out	(146,514)	(330,679)	(312,737)	(265,429)	(257,836)
Operating transfers from component units	–	–	526	–	–
Operating transfers to component units (2)	–	–	(537,279)	(503,641)	(483,901)
Total other financing sources (uses)	33	(107,150)	(579,095)	(521,001)	(500,567)
Beginning fund balance	368,025	708,067	646,959	525,268	519,700
Adjustments to beginning fund balance (4)	–	(140,257)	–	–	–
Beginning fund balance as adjusted	368,025	567,810	646,959	525,268	519,700
Residual equity transfers	–	–	(22,878)	(15,344)	(4,537)
Ending fund balances	$ 386,996	$ 368,025	$ 708,067	$ 646,959	$ 525,268

(1) Due to changes in accounting standards, the comparability of Fiscal Year 2003 and 2002 to the Fiscal Year 2001 and prior years' is affected.

(2) State support of higher education—colleges and universities, starting in Fiscal Year 2002, is reported as a current expenditure under the GASB 34 reporting model. Previously, state support of higher education was shown as an operating transfer to components units for the Fiscal Years 1999 to 2001. These transfers to colleges and universities were substantially all of the operating transfers to component units.

(3) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6.

(4) 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.)

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)				
	2003	2002 (2)	2001	2000	1999
Revenues:					
Taxes:					
Sales tax	$ 34,542	$ 36,140	$ 24,255	$ 21,120	$ 17,859
Individual income tax	1,587,520	1,584,546	1,712,676	1,654,949	1,463,897
Corporate tax	161,129	124,561	183,141	186,936	192,221
Motor and special fuels tax	321,370	321,682	310,000	314,164	298,390
Other taxes (3)	23,595	26,131	(720)	17,601	21,710
Total taxes	2,128,156	2,093,060	2,229,352	2,194,770	1,994,077
Other revenues:					
Federal contracts and grants	521,567	505,838	493,862	447,750	448,696
Charges for services	22,465	23,438	35,461	32,031	29,869
Licenses, permits and fees	83,784	80,911	74,616	75,154	71,231
Federal aeronautics	18,791	31,026	33,386	26,859	18,737
Investment income	16,367	15,296	17,566	15,382	24,347
Miscellaneous and other	26,375	21,481	29,502	33,343	43,771
Total other revenues	689,349	677,990	684,393	630,519	636,651
Total revenues	2,817,505	2,771,050	2,913,745	2,825,289	2,630,728
Expenditures:					
Current:					
Public education	1,979,461	1,998,240	1,949,959	1,824,162	1,776,912
Transportation	756,139	847,517	877,653	892,130	975,146
Leave/Postemployment benefits (4)	–	–	2,103	4,745	6,682
Total expenditures	2,735,600	2,845,757	2,829,715	2,721,037	2,758,740
Excess revenues over (under) expenditures	81,905	(74,707)	84,030	104,252	(128,012)
Other financing sources (uses):					
Proceeds of revenue bonds/contracts	–	–	1,688	–	–
General obligation bonds issued	140,685	277,810	–	–	68,000
Premium on bonds issued	20,581	11,241	–	–	7,808
Operating transfers in	145,625	340,705	249,665	218,390	191,454
Operating transfers out	(228,262)	(369,293)	(460,906)	(345,198)	(320,417)
Operating transfers to component units	–	–	–	(13)	–
Total other financing sources (uses)	78,629	260,463	(209,553)	(126,821)	(53,155)
Excess of revenues over (under) expenditures and other uses	160,534	185,756	(125,523)	(22,569)	(181,167)
Beginning fund balance	618,496	377,980	503,503	526,240	707,407
Adjustments to beginning fund balance (5)	–	54,760	–	–	–
Beginning fund balance as adjusted	618,496	432,740	503,503	526,240	707,407
Residual equity transfers	–	–	–	(168)	–
Ending fund balances	$ 779,030	$ 618,496	$ 377,980	$ 503,503	$ 526,240

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

(2) Due to changes in accounting standards, the comparability of the Fiscal Year 2003 and 2002 statements to Fiscal Year 2001 and prior years' statements is affected.

(3) The negative revenue in Fiscal Year 2001 was a result of changes in the balance of receivables related to other taxes, that is, the accrued receivable balance related to other taxes at the end of Fiscal Year 2001 declined compared to the previous fiscal year and furthermore, the decline in the accrued receivable was greater than realized revenue.

(4) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6.

(5) 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

The following information with respect to certain property tax matters is included in this OFFICIAL STATEMENT to provide background information. As described herein, the 2003 Bonds are not secured by any pledge of property tax revenues and do not constitute a debt or indebtedness of the State or the Authority. See "INTRODUCTION—Risks Inherent In The Ownership Of The 2003 Bonds—Limited Obligations" above.

Ad Valorem Tax Levy

Though authorized to do so under Section 59–2–901 of the Utah Code 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 the Property Tax Act, Chapter 2, Title 59, Utah Code (the "Property Tax Act"), provide that all taxable property is required to be 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) (iv) of Article XIII of the State Constitution provides that the Legislature by the statute exempt from property tax up to 45% of the fair market value of residential property, as defined by statute. The Legislature enacted legislation, effective January 1, 1995, providing that the "fair market value" of primary residential property will be reduced by 45%. No more than one acre of land per residential unit may qualify for the residential exemption.

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 (as defined below) compared with the Locally–Assessed Property (as defined below).

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	% Change Over Prior Year
2003 (2)	$118,060,738,137	3.3%	$165,500,000,000	3.7%
2002	114,320,788,860	3.6	159,659,350,270	4.2
2001	110,312,889,753	8.0	153,166,345,540	7.7
2000	102,142,249,398	7.4	142,253,454,117	7.7
1999	95,071,840,333	5.0	132,115,078,972	5.4

(1) Taxable values were calculated by reducing the fair market value of primary residential property by 45%, representing the current partial property tax exemption for such property.
(2) Preliminary; subject to change.

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

Historical Summaries Of Taxable Values Of Property

	2003		2002	2001	2000	1999
	(1) Taxable Value	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by State Tax Commission (Centrally Assessed)						
Natural resources……………………	$ 3,292,510,162	2.8 %	$ 3,336,164,284	$ 4,067,175,485	$ 3,944,362,229	$ 3,798,327,052
Utilities………………………………	9,400,000,000	8.0	9,380,729,030	10,075,002,458	9,286,969,211	9,248,724,035
Total centrally assessed…………	12,692,510,162	10.8	12,716,893,314	14,142,177,943	13,231,331,440	13,047,051,087
Set by County Assessor (Locally Assessed)						
Real property:						
Primary residential……………………	58,000,000,000	49.1	55,154,680,220	52,099,359,175	48,749,007,976	45,015,382,649
Commercial…………………..............	27,000,000,000	22.9	25,524,121,711	23,831,287,399	21,846,954,648	19,629,456,629
Other real………………………………	12,261,437,576	10.4	12,346,922,189	11,787,529,050	10,337,784,819	9,473,282,978
Total real property…………………	97,261,437,576	82.4	93,025,724,120	87,718,175,624	80,933,747,443	74,118,122,256
Personal property:						
Total personal property……………	8,106,790,399	6.9	8,578,171,426	8,452,536,186	7,977,170,515	7,906,666,990
Total locally assessed………………	105,368,227,975	89.2	101,603,895,546	96,170,711,810	88,910,917,958	82,024,789,246
Total taxable value…………………	$118,060,738,137	100.0 %	$114,320,788,860	$110,312,889,753	$102,142,249,398	$95,071,840,333

(1) Preliminary; subject to change.

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

The Property Tax Act provides that the State Tax Commission shall assess certain types of property ("Centrally–Assessed Property"), including (i) properties that operate as a unit across county lines that must be apportioned among more than one county or state, (ii) public utility (including railroad) properties, (iii) airline operating properties, (iv) geothermal properties and (v) mines, mining claims and appurtenant machinery, facilities and improvements, including oil and gas properties. All other taxable property ("Locally–Assessed Property") is required to be 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 assessment 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.

Minimum Basic Tax Levy for School Districts. Before June 15, the State Tax Commission ascertains from the State Board of Education the number of weighted pupil units in each school district in the State for the school year commencing July 1 of the current year, estimated according to the Minimum School Program Act, and the money necessary for the cost of operation and maintenance of the Minimum School Program of the State. The State Tax Commission then estimates the amounts of all surpluses in the Uniform School Fund, as of July 1, of the current year, available for the operation and maintenance of the program, and estimates the anticipated income to the fund available for those purposes from all sources, including revenues from taxes on income or from taxes on intangible property.

The State Tax Commission then determines for each school district 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 shall be remitted by the school district to the State Board of Education to be credited to the Uniform School Fund for allocation to school districts to support the Basic Program. If the levy does not raise an amount in excess of the total Basic Program for a school district, then the difference between the amount which the local levy will raise within the school district, and the total cost of the Basic Program within the school district shall be computed. This difference shall be apportioned from the Uniform School Fund to each school district as the contribution of the State to the Basic Program for the school district.

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. If the minimum basic tax rate exceeds the certified revenue levy, the State shall publish a notice to the effect no later than 10 days after the last day of the annual legislative general session. "Certified Revenue Levy" means a property tax levy that provides the same amount of ad valorem property tax revenue as was collected for the prior year, plus new growth, but exclusive of revenue from collections from redemptions, interest, and penalties.

Uniform Fees. An annual statewide uniform fee is levied on certain tangible personal property in lieu of the ad valorem tax. The uniform fee is based on the value of motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State. The current uniform fee is equal to 1.5% of the fair market value of 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 excluding exempt property such as aircraft and property subject to the fixed age based fee. The uniform fee for aerial applicators is 0.2% and the uniform fee for all other aircraft is 0.4%. On January 1, 1999, legislation became effective that made motor vehicles weighing 12,000 pounds or less subject to an "age based" fee that is due each time the vehicle is registered. The age based fees is for passenger type vehicles and ranges from $10 to $150 based on the age of the vehicle. 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. Commencing January 1, 1994, 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..

Beginning in the Fiscal Year 1997, and subject to statutory adjustments thereafter, 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 63, Chapter 38, 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. Portions of the Budget Act are summarized below.

The Governor is required to submit a budget to the Legislature for each fiscal year. The budget is required to show, among other things, (i) a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, (ii) the revenues and expenditures for the last fiscal year, and (iii) current assets, liabilities and reserves, any surplus or deficit and the debts and funds of the State. The budget is required to include an itemized estimate of appropriations for payment and discharge of the principal and interest of the indebtedness of the State, among other things. Deficits or anticipated deficits must be included in the 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. Unless specifically exempted by the appropriations act, all departments, agencies and institutions of the State that accept moneys appropriated do so subject to the terms and provisions of the Budget Act. 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 be subject to any restrictions set forth in the appropriation or any schedules or other restrictions provided by the Legislature. Transfers of moneys from one purpose or function to another within an item of appropriation are permissible at the discretion of the Governor as provided in the Budget Act. 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 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 Finance is required to exercise accounting control over all State departments, institutions and agencies other than the Legislature and legislative committees. The Director of Finance must require the head of each department to submit not later than May 15 of each year a work program (budget) for the ensuing fiscal year. Such program must include all funds from any source whatsoever made available to each department for its operation. The Director of Finance and the State Budget Officer are required to review the work program of each department. The Director of Finance must, if the Governor deems necessary, revise, alter, decrease or change such work programs before or after approving the same. 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. The Director of Finance must permit all expenditures to be made on the basis of such work programs. The Director of Finance is required to examine and approve or disapprove all requisitions and requests for expenditures of any department, except the judicial department and salaries or compensation of officers fixed by law.

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.

Major Governmental 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.

General Fund. The General Fund is the principal fund from which appropriations are made for State operations. It is specifically maintained to account for all financial resources and transactions not accounted for in another fund. The General Fund receives State sales taxes, which comprise the largest state source of this fund's revenues. Other principal sources of revenues include federal contracts, grants and mineral lease payments, State departmental collections and miscellaneous licenses, fees and taxes. Funding for debt service on the State's general obligation bonds is usually appropriated from the General Fund and transferred to the various bond sinking funds within the Debt Service Fund.

Uniform School Fund (Special Revenue Fund). The Uniform School Fund currently receives all individual income and corporate franchise taxes, which together comprise the majority of revenues to the fund. Federal grants and contracts related to State public education funding are a secondary source of revenues. If the revenues of the Uniform School Fund are insufficient, appropriations are made from the General Fund to assist in financing the State's portion of the State–Supported Minimum School Program as provided by law.

If revenues deposited into the General Fund are not sufficient to permit transfers to the Uniform School Fund as provided by appropriation, the Director of Finance, with the approval of the Governor, must withhold such transfers during the fiscal period. If this withheld transfer creates a deficit in the Uniform School Fund, the Legislature must provide funding to make up the deficit in the subsequent fiscal year.

Transportation Fund (Special Revenue Fund). The Transportation Fund receives motor and special fuel taxes and car and truck registration taxes, it also receives a significant portion of funding from federal grants and contracts.

Centennial Highway Fund (Special Revenue Fund). The Centennial Highway Fund was established in 1997 to account for all Centennial Highway projects, the largest of which is the I–15 reconstruction project. Sources of revenue include $^{1}/_{64}$% sales tax, federal grants, restricted vehicle registration fees, bond proceeds, investment earnings, and appropriations from the General and Transportation Funds.

Trust Lands (Permanent Fund). The Trust Lands Fund is a permanent fund that accounts for land grants and the sale of such lands received from the federal government under 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 and rural development programs.

The capital projects funds account for the resources obtained and used for the acquisition, construction or improvement of certain capital facilities. Such resources are principally derived from operating transfers from the General Fund and from bond proceeds.

The debt service funds are used to account for all State general obligation bond and certain revenue bond principal and interest payments made from individual sinking funds. Resources in debt service funds are provided by transfers from the General Fund or special revenue funds, certain pledged revenues, and investment earnings on moneys held in sinking funds (except as may be required by the proceedings authorizing the issuance of particular series of bonds).

State Tax System

The State's tax revenues are derived primarily from sales and use taxes, individual income taxes, motor fuel taxes, corporate franchise (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 (which tax is regulated by the federal government and set by a state setup corporation) and workers' compensation premium taxes (which tax is regulated by a quasi–state agency).

The State also has authority to levy and collect ad valorem property taxes, but has not done so since 1974. See in this section "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 special service districts have the authority to levy property taxes.

Property Tax

Property taxes are based on property valuation. Assessment levels are uniform throughout the State, but tax rates vary from entity to entity. See in this section "Property Tax Matters" above.

Individual Income and Corporate Franchise (Income) Tax

Individual Income Tax. The State is one of 43 states that impose an individual income tax. Following a general trend, in 1973 the State adopted federal definitions of, and amounts for, personal exemptions, standard deductions and itemized deductions. Currently, the basis for the State's individual income tax is an individual's federal taxable income to which certain modifications, subtractions and adjustments, are made to obtain the state taxable income. The individual income tax rates are graduated from 2.3% to 7%, with the top rate applying to state taxable incomes over $8,626 for those filing jointly or qualified heads of households, and state taxable incomes over $4,313 for single individuals.

Corporate Franchise (Income) Tax. The State imposes a tax on corporate net taxable income apportioned to the State. The rate is 5%. Federal taxes are not deductible. Currently, the minimum tax is $100.

Sales and Use Tax

In 1933, a general sales tax was imposed to relieve the burden on the property tax and to bolster State revenues. Currently, the state sales and use tax rate is 4.75% of the purchase price of tangible personal property and certain services. The tax rate for gas, electricity, heat, coal, fuel oil or other fuels sold for residential use is 2%.

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 (a) goods shipped to the State for use, storage, or other consumption, (b) goods purchased outside of the State for use, storage, or other consumption in the State, and (c) services subject to tax but performed outside the State for use, storage, or other consumption in State.

The State requires its largest sales taxpayers (with annual liabilities 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 tax is now remitted monthly, the State's cash flow has less variations.

In November 1989, voters approved the allocation and use of a limited amount of sales tax proceeds to support the State's efforts to be awarded the 1998 or 2002 Olympic Winter Games. The voters authorized the allocation of tax proceeds generated by a $^{1}/_{64}$% tax rate on the items on which sales and use taxes are imposed by the State and an additional allocation of tax proceeds generated by a $^{1}/_{64}$% tax rate on the items on which sales and use taxes are imposed by the local governments adopting the optional local sales and use tax. No new taxes were imposed for this special purpose but it reallocated a small part of the taxes already imposed. These limited tax revenues were applied in this manner from January 1, 1990, until December 31, 1999. Beginning January 1, 2000, the State's sales tax proceeds previously committed to the Olympics was redirected into the Centennial Highway Fund. The local sales tax proceeds previously committed to the Olympics are now distributed to localities.

Beginning on July 1, 1999, a formulaic portion of the State's general sales and use tax, up to a cap of $^{1}/_{64}$%, will be specially allocated each year to the Airport to University of Utah Light Rail project.

Beginning July 1, 2003, $^{1}/_{16}$% of the State's general sales and use tax, subject to an annual cap of $17,500,000, will be specially allocated each year to (a) the preservation of sensitive plant and animal species, (b) the Agriculture Resource Development Fund, (c) the adjudication of water rights, (d) the Water Resource Conservation and Development Fund, (e) the Utah Wastewater Loan Program, and (f) the Drinking Water Loan Program subaccount.

Also beginning July 1, 2003, another $^{1}/_{16}$% of the State's general sales and use tax, this time subject to an annual cap of $18,743,000, will be specially allocated each year to (a) the Transportation Corridor Preservation Revolving Loan Fund, (b) the State Park Access Highways Improvement Program, and (c) the class B and class C roads account.

As a budget balancing measure for the fiscal year ended June 30, 2003, approximately $10 million of the special allocations to water and agricultural programs, described above, was recaptured by the Legislature into the State's General Fund. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments–Budget Management".

Local Taxes

In addition to the State's sales and use taxes, a uniform local sales and use tax of 1% applies in counties, cities and towns, which have adopted the local tax ordinance, 50% of such local sales tax revenue is allocated on the basis of direct point of sale and 50% is allocated on the basis of population. Cities are guaranteed at least 0.75% of point of sale under a hold–harmless provision.

Counties, cities and towns within an organized transit district may, if approved by voters, impose a sales and use tax levy of 0.25% on the same items to which other authorized sales and use taxes apply to fund a public transportation system. In addition, certain counties may, if approved by the voters, impose an additional 0.25% sales and use tax to fund a fixed guideway and expanded public transportation system. Cities not in an organized transit district may adopt a "highways tax" at 0.25% for construction and maintenance of highways.

In addition to the forgoing taxes certain counties, cities or towns may impose a number of other miscellaneous taxes.

Unemployment Compensation Tax

Employers of one or more persons in the State are subject to the State's unemployment tax, the proceeds of which are used to finance benefit payments to unemployed workers. The tax is based on employee earnings with the rate depending on several factors including annual and quarterly payroll stability and the age of the firm. As of June 30, 2003, the unemployment compensation fund had a fund balance of approximately $444 million.

Workers' Compensation Tax

Primary Insurance. Employers doing business in the State must provide worker's compensation insurance coverage for their employees in one of three ways. They may insure with the Workers' Compensation Fund ("WCF"), a non–profit, quasi–public Utah corporation; or they may insure with a private insurance carrier authorized to transact the business of workers' compensation insurance in the State; or, with the approval of the State Labor Commission, they may be self–insured. If the employer chooses to be insured by WCF or a private insurance carrier, the premium rates paid depend on the individual employer's claim loss experience as well as the particular industry in which the employer operates.

Employers' Reinsurance Fund. The Employers' Reinsurance Fund ("ERF"), covers employers for liability arising from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from an accident or disease arising out of and in the course of the employee's employment on or after July 1, 1994, the employer or its insurance carrier is liable for permanent total disability compensation. By statute, each year the State Labor Commission must establish a premium tax within a 9.25% maximum based upon the recommendation of an actuary for payment by insurers and self–insured employers. In 1994 the Legislature passed legislation limiting the State's liability to the cash or assets in the ERF only. By statute the State is not liable for the debts and obligations of the ERF. See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003—Notes to the Financial Statements—Note 12. Deficit Net Assets" herein.

Uninsured Employers' Fund. To assist in paying workers' compensation benefits to employees whose employers are insolvent, or are otherwise unable to pay the benefits owed to their employees, the State established an Uninsured Employers' Fund ("UEF") in 1984. The UEF is funded by a premium tax based upon the recommendation of an actuary in the same manner as ERF except that self–insured employers may be assessed an amount necessary to pay benefits due an employee of an insolvent self–insured and a subrogation right exists against any employer failing to make compensation payments. The premium tax rate is currently set at 0.25%. The liability of the State with respect to the payment of any compensation benefits, expenses, fees or disbursements properly chargeable against the UEF, is limited to the assets of the fund. By statute, the State is not otherwise liable for the making of any UEF payment.

Severance Taxes

Since 1937, the Legislature has provided for the levy of a mine occupation or severance tax on production and sale of oil, gas and metalliferous minerals in the State, including copper, lead, gold, silver, zinc, iron, tungsten, uranium, vanadium, and other valuable minerals.

In general, a severance tax of 3% to 5%, of the value, at the well, is imposed on oil and gas, including natural gas.

The severance tax on mines is 2.6% of the taxable value of all metals or metalliferous minerals sold or otherwise disposed of in the State or shipped out of State.

Highway Users' Taxes

Highway users' taxes can be divided into four major categories: motor and special fuel taxes, which constitutes the bulk (almost 80%) of highway users' taxes; motor vehicle registration and title fees; fees charged for the issuance of driver licenses; and additional fees charged to intrastate and interstate truck fleets. Funds derived from the highway users' taxes are used almost entirely for: State highway construction and maintenance; distribution to cities and counties for use on local roads and streets; policing the highways; and administrative and regulatory purposes in connection with the use of roads.

Miscellaneous Taxes and Fees

The State collects a number of miscellaneous taxes and fees. Most important of these are the insurance premium tax, cigarette and tobacco tax, wine and liquor tax, inheritance tax, environmental surcharge, 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.

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State Revenues, Expenditures And Fund Balances

The State receives revenues from three principal sources: (a) taxes; (b) federal grants–in–aid; and (c) miscellaneous charges and receipts, including fees, the State's share of mineral royalties, and bonuses on federal land. Revenues received in the governmental fund types (excluding the Trust Lands permanent fund) are as follows:

	Fiscal Year Ended June 30 (in thousands)									
	2003	% (1)	2002	% (1)	2001	% (1)	2000	% (1)	1999	% (1)
Taxes (2)	$3,765,460	58%	$3,705,851	60%	$3,879,866	62%	$3,791,453	63%	$3,456,517	62%
Federal contracts and grants	2,049,922	32	1,856,477	30	1,708,087	27	1,575,608	26	1,543,186	28
All other misc. revenues (3)	652,561	10	639,710	10	655,329	11	655,820	11	559,111	10
Total all funds	$6,467,943	100%	$6,202,038	100%	$6,243,282	100%	$6,022,881	100%	$5,558,814	100%

(1) Percentage of total Governmental Fund Revenue. Beginning in Fiscal Year 2002, this summary includes revenues of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of 2003 and 2002 revenue amounts to the 2001 and prior amounts are affected. Prior to Fiscal Year 2002, this summary included revenues of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(2) Includes sales, individual income, corporate franchise, motor and special fuel taxes, and other miscellaneous taxes.

(3) Includes charges for services, licenses, permits, and fees, aeronautics, federal mineral lease revenues; intergovernmental revenues; interest on investments; liquor control profits; and other miscellaneous revenues.

(Source: Division of Finance.)

Revenue Summary. For the Fiscal Year 2003, General Fund revenues from all sources totaled approximately $3.55 billion. Of this amount, 41% came from sales taxes, 43% came from federal contracts and grants, 5% came from charges for services and licenses, permits and fees, 6% came from federal mineral lease, investment income and miscellaneous and other revenues, and 5% came from other tax sources. The General Fund revenue includes credit for profits of the Liquor Enterprise Fund which amounted to $33.1 million.

In the Uniform School Fund for Fiscal Year 2003, revenues from all sources totaled approximately $2.07 billion. Of this amount, 76% came from individual income taxes, 14% came from federal contracts and grants, 8% came from corporate franchise taxes, 2% came from other miscellaneous revenue sources.

In the Transportation Fund for Fiscal Year 2003, revenues from all sources totaled approximately $672.3 million. Of this amount, 48% came from Motor and Special Fuel Taxes, 28% came from federal contracts and grants, 12% came from charges for services and licenses, permits, and fees, and 12% came from other miscellaneous unrestricted taxes and fees.

In the Centennial Highway Fund for Fiscal Year 2003, revenues from all sources totaled $71.7 million. Of this amount, 60% came from federal contracts and grants, 26% came from motor vehicle registration fees, 7% came from sales tax revenue, and 7% came from interest income.

Revenues by Source

All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (in thousands)				
	2003	2002 (1)	2001 (2)	2000	1999
Taxes:					
Individual income tax	$1,587,520	$1,584,546	$1,712,676	$1,654,949	$1,463,897
Sales and use tax	1,481,823	1,473,479	1,465,301	1,400,962	1,351,332
Motor and special fuel tax	321,370	321,682	310,000	314,164	298,390
Other taxes	213,618	201,583	208,748	234,442	150,677
Corporate franchise tax	161,129	124,561	183,141	186,936	192,221
Total taxes	3,765,460	3,705,851	3,879,866	3,791,453	3,456,517
Other revenues:					
Federal contracts and grants	2,049,922	1,856,477	1,708,087	1,575,608	1,543,186
Charges for services	211,756	222,669	236,986	217,621	206,420
Miscellaneous and other	193,448	176,895	112,970	119,189	89,604
Licenses, permits and fees	110,315	107,201	91,875	92,300	87,848
Federal mineral lease	47,307	30,527	49,566	34,957	28,962
Investment income	29,418	31,240	65,068	55,804	58,055
Federal aeronautics	18,791	31,026	33,386	26,859	18,737
Intergovernmental	8,463	7,611	35,225	80,431	42,526
Total other revenues	2,669,420	2,463,646	2,333,163	2,202,769	2,075,338
Total revenues	6,434,880	6,169,497	6,213,029	5,994,222	5,531,855
Liquor profit transfer	33,063	32,541	30,253	28,659	26,959
Total revenues and liquor profit transfer	$6,467,943	$6,202,038	$6,243,282	$6,022,881	$5,558,814

(1) Beginning in Fiscal Year 2002, this summary includes revenues of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of Fiscal Years 2003 and 2002 revenue amounts to the Fiscal Year 2001 and prior amounts are affected.

(2) Prior to Fiscal Year 2002, this summary included revenues of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(Sources: Division of Finance and the 2003 CAFR.)

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Expenditures by Function

All Governmental Fund Types (1)

Function	Fiscal Year Ended June 30 (in thousands) 2003	2002 (1)	2001 (2)	2000	1999
Public education	$1,979,880	$1,998,450	$1,949,959	$1,824,162	$1,776,912
Human services, health, corrections, And environmental quality	1,888,105	1,775,052	1,613,869	1,501,552	1,405,485
Transportation and public safety	882,151	999,332	998,107	999,684	1,078,923
Higher education	632,368	652,992	569,722	531,364	507,890
Employment and family services	363,116	321,154	286,304	285,517	302,665
General government and courts	269,450	287,024	256,505	248,301	249,337
Capital outlay	205,861	112,569	153,126	191,819	190,496
Debt service	189,020	175,188	158,886	158,274	153,540
Natural resources	134,247	121,072	104,859	97,586	90,794
Community and economic development	91,986	91,014	83,526	77,305	75,602
Business, labor and agriculture	66,382	63,940	49,672	46,555	44,474
Leave/Postemployment benefits (3)	–	–	9,186	17,573	23,886
Total expenditures All Governmental Fund Types	$6,702,566	$6,597,787	$6,233,721	$5,979,692	$5,900,004

(1) Beginning in Fiscal Year 2002, this summary includes the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of the Fiscal Years 2003 and 2002 amounts to the Fiscal Year 2001 and prior amounts are affected.

(2) Prior to Fiscal Year 2002, this summary included the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(3) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6.

(Sources: Division of Finance and the 2003 CAFR.)

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Changes in All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (dollars in millions)				
	2003	2002 (1)	2001 (2)	2000	1999
Revenues	$6,468	$6,202	$6,243	$6,023	$5,559
% change over previous year	4.3%	(0.7)%	3.7%	8.3%	4.9%
Net other financing sources (3)	$319	$565	$18	$45	$168
Expenditures (4)	$6,703	$6,598	$6,234	$5,980	$5,900
% change over previous year	1.6%	5.8%	4.2%	1.4%	4.6%

(1) Beginning in Fiscal Year 2002, this summary includes the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of Fiscal Years 2003 and 2002 expenditures amounts to the Fiscal Year 2001 and prior amounts are affected.

(2) Prior to Fiscal Year 2002, this summary included the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(3) Includes bond proceeds, net of any refunding issues, transfers from non–governmental funds, plus financing provided from capital leasing.

(4) Funding for expenditures is provided from revenues, beginning balances and bond proceeds; beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2003 CAFR.)

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Fund Balances (1)

Fund Balances—All Governmental Fund Types

Fund	Fiscal Year Ended June 30 (in thousands) 2003	2002 (2)	Restated 2001	2000	1999
General (3)	$ 386,996	$ 368,025	$ 567,810	$ 646,959	$ 525,268
Special Revenue:					
Centennial Highway	320,234	305,357	63,933	119,056	284,862
Uniform School (4)	243,917	182,219	242,727	287,953	186,402
Transportation (5)	214,879	130,920	126,080	96,494	54,976
Environmental Reclamation (6)	23,291	24,058	21,556	–	–
Crime Victim Reparation (6)	13,526	16,558	14,169	–	–
Rural Development (7)	12,318	11,357	8,086	505	156
Tobacco Endowment	12,177	41,531	27,521	–	–
Miscellaneous Special Rev. (6)	6,489	6,847	5,895	–	–
Universal Telephone (6)	4,787	8,895	10,473	–	–
Consumer Education (7)	3,133	2,967	3,836	307	317
State Capitol	37	21	7	–	–
Sports Authority (8)	–	689	1,127	5,503	7,795
Capital Projects	248,021	305,386	128,340	77,830	89,576
Debt Service	16,004	22,882	12,110	8,757	8,124
Total	$1,505,809	$1,427,712	$1,233,670	$1,243,364	$1,157,476

(1) Includes restricted and unrestricted fund balances.

(2) Beginning in Fiscal Year 2002, this summary includes fund balances of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of 2003 and 2002 fund balance amounts to the 2001 and prior amounts is affected. Prior to Fiscal Year 2002, this summary included fund balances of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(3) The General Fund Fiscal Year 2001 ending fund balance was restated, resulting in a decrease of ($140.3) million because of the following changes: (a) reclassification of water and housing loan funds that were previously reported as a part of the General Fund, but now are reported as proprietary funds due to the implementation of GASB Statement 34 resulted in a decrease of ($286.9) million; (b) additional guidance from GASB Interpretation 6 increased fund balance by $142.4 million; and c) miscellaneous changes because of various fund reclassifications and prior period adjustments due to GASB Statement 34, these changes amounted to an increase in fund balance of $4.2 million.

(4) The Uniform School Fund Fiscal Year 2001 ending fund balance was restated by approximately $24.0 million due to: (a) additional guidance in GASB Interpretation 6, which increased fund balance by $18.4 million; (b) reclassification of Applied Technology Centers to a component unit resulted in a decrease of ($4.1) million; and (c) various fund reclassifications and prior period adjustments of $9.6 million due to GASB Statement 34.

(5) The Transportation Fund Fiscal Year 2001 ending fund balance was restated by $30.8 million primarily because of additional guidance in GASB Interpretation 6.

(6) The ending Fiscal Year 2001 fund balances for the following funds were reclassified to special revenue funds in the following amounts because of GASB Statement 34: (a) Environmental Reclamation Fund—$21.6 million; (b) Crime Victim Reparation Fund—$14.2 million; (c) Universal Telephone Service Fund—$10.5 million; and (d) Miscellaneous Special Revenue Funds—$5.9 million. These funds had previously been reported as trust funds or proprietary funds in the fiscal years prior to Fiscal Year 2002.

(7) The Consumer Education and Rural Development Funds had ending Fiscal Year 2001 fund balance restatements of $3.5 million and $6.5 million respectively, because of fund reclassifications due to the implementation of GASB Statement 34.

(8) The Sports Authority Fund was closed in Fiscal Year 2003.

(Sources: Division of Finance and the 2003 CAFR.)

General Fund

Revenues, Expenditures and Fund Balances

	Fiscal Year Ended June 30 (in thousands)				
	2003	2002 (1)	2001	2000	1999
Revenues:					
Federal contracts and grants...	$1,524,832	$1,341,072	$1,214,201	$1,127,858	$1,094,490
Sales tax	1,447,281	1,437,339	1,441,046	1,378,949	1,324,608
Other taxes	187,397	172,307	194,250	216,313	128,967
Charges for services	182,090	192,190	181,748	164,790	159,462
Miscellaneous and other	124,422	114,449	74,325	85,202	44,228
Federal mineral leases	46,335	29,367	49,566	34,957	28,962
Liquor profit (2)	33,063	32,541	30,253	28,659	26,959
Licenses, permits and fees	17,745	17,721	16,963	16,738	16,328
Investment income	8,258	15,333	45,468	35,600	28,966
Total revenues	$3,571,423	$3,352,319	$3,247,820	$3,089,066	$2,852,970
% change over previous year	6.5%	3.2%	5.1%	8.3%	3.1%
Expenditures	$3,519,422	$3,412,413	$3,088,090	$2,902,455	$2,794,536
% change over previous year	3.1%	10.5%	6.4%	3.9%	7.8%
Fund Balance: (3)					
Unreserved, designated	$156,016	$146,551	$187,491	$158,222	$109,336
Unreserved, undesignated	–	–	11,614	25,376	281
Reserved	230,980	221,474	508,962	463,361	415,651
Total fund balance	$386,996	$368,025	$708,067	$646,959	$525,268

(1) Due to changes in accounting standards, the comparability of the Fiscal Years 2003 and 2002 to Fiscal Year 2001 and prior years' are affected.
(2) Liquor profits are reported as transfers into the General Fund.
(3) The Fund Balance is derived from revenues, expenditures, transfers and other financing sources which are not presented in this table and the beginning fund balance from the prior fiscal year.

(Sources: Division of Finance and the 2003 CAFR.)

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				
2004	2003	2002	2001	2000
$657.0	$871.7	$920.2	$799.7	$791.1

(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. It establishes criteria for investment of public funds with an emphasis on safety, liquidity, yield, matching strategy to fund objectives, and matching the term of investments to the availability of funds. The MM Act provides a limited list of approved investments, including qualified in–state and permitted out–of–state financial institutions, approved government agency securities and investments in corporate securities carrying "top credit ratings." The MM Act also provides for pre–qualification of broker dealers requiring that broker dealers must agree in writing to comply with the MM Act and certify that they have read and understand the MM Act. The MM Act establishes the Money Management Council (the "MM Council") to exercise oversight of public deposits and investments. The law requires all securities to be delivered versus payment to the treasurer's safekeeping bank. It requires diversification of investments, especially in securities of corporate issuers. Not more than 5% of the portfolio may be invested with any one corporate issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The MM Act also defines the State's prudent investor rules. The MM Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The State is currently complying with all of the provisions of the MM Act for all State operating funds. A significant portion of State funds are invested in the Utah Public Treasurers Investment Fund ("PTIF"), as discussed below.

The Utah Public Treasurers' Investment Fund. 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.

All investments in the PTIF must comply with the MM Act and rules of the MM Council. The PTIF invests only in securities authorized by the MM Act including time certificates of deposit, top–rated commercial paper and corporate notes, treasuries and certain agencies of the U.S. Government. The maximum weighted average adjusted life of the portfolio, by policy, is not to exceed 90 days. The maximum final maturity of any security purchased by the PTIF is limited to three years, except that a maximum maturity of five years is allowed for treasury or agency securities whose rate adjusts at least annually.

By law, investment transactions are conducted only through certified dealers, qualified depositories or directly with issuers of the securities. All securities purchased are delivered versus payment to the custody of the public treasurer's safekeeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State. It is the stated policy of the State Treasurer to manage a stable net asset value pool and maintain a net asset value that does not deviate by more than 0.5%.

Securities in the PTIF include certificates of deposit, commercial paper, short–term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the U.S. Government. These short–term securities must be rated "first tier" ("A1," "P1," for short–term investments and "A" or better for long–term investments) by two nationally recognized statistical rating organizations, one of which must be Moody's or S&P. Variable rate securities in the PTIF must have an index or rate formula that has a correlation of at least 94% of the effective federal funds rate.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the MM Council and is audited by the State Auditor. The PTIF fund, itself, is not rated.

See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003–Notes To The Financial Statements–Note 3. Deposits and Investments” and “–Note 4. Investment Pool” below.

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.

Retirement Systems

All full–time employees of the State are members of the Utah State Retirement System. The State is the largest employer in the State employing approximately 22,000 people. For a discussion concerning the Utah State Retirement System see “APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003—Notes to the Financial Statements—Note 17. Pension Plans” and “–Note 18. Postemployment Benefits” below.

Risk Management And Insurance

The State is self–insured against certain property and liability claims. The Legislature established the Administrative Services Risk Management Fund to pay for commercial insurance or for the self–insured portion of certain property and liability risks. Revenues are generated from premiums charged to State departments and institutions of higher education and also from several local school districts and local health departments.

The property self–insurance limits are currently $1 million per claim with an annual aggregate of $2.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with private insurance companies. This coverage has limits of $300 million at any single building, with overall limits in excess of $16.3 billion. The State has aggregate coverage of $200 million for earthquake and flood losses. Earthquake and flood losses above this limit are self–insured.

The State is self–insured for 100% of the liability claims.

As of June 30, 2003, the Administrative Services Risk Management Fund was estimated to have approximately $43.7 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 June 30, 2004. The Legislature has chosen to fund the Risk Management Fund at this level, and it has been advised that any extremely large claims would need to be covered by an appropriation. See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2003—Notes to the Financial Statements—Note 19. Risk Management And Insurance” below.

LEGAL MATTERS

Absence Of Litigation Concerning The Bonds

There is no litigation pending or threatened against the 2003 Bonds questioning or in any matter relating to or affecting the validity of the 2003 Bonds.

On the date of the execution and delivery of the 2003 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 2003 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, the Authority or DFCM, or the titles of its respective officers to their respective offices, or the ability of the State, the Authority or DFCM, or its respective officers to authenticate, execute or deliver the 2003 Bonds or such other documents as may be required in connection with the issuance and sale of the 2003 Bonds, or to comply with or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2003 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2003 Bonds are issued, the legality of the purpose for which the 2003 Bonds are issued, or the validity of the 2003 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.

Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On 2003 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 2003 Bonds as those payments come due.

Tax Exemption

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the 2003 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. Bond Counsel is also of the opinion that interest on the 2003 Bonds is exempt from State of Utah individual income taxes under currently existing law.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the 2003 Bonds. The State has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the 2003 Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the 2003 Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the Authority and the State with such requirements and restrictions in rendering its opinion regarding the tax–exempt status of interest on the 2003 Bonds.

Although Bond Counsel will render an opinion that interest on the 2003 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2003 Bonds may otherwise affect a Bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2003 Bonds.

Original Issue Discount. The 2003 Bonds maturing on May 15 in the years 2016 through 2024 (collectively, the "Discount Bonds") are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a 2003 Bond accrues periodically over the term of the Discount Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Discount Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Holders of Discount Bonds should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium. The 2003 Bonds maturing on May 15 in the years 2005 through 2015, and May 15, 2025, all dates inclusive (collectively, the "Premium Bonds") are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Bond through reductions in the holders' tax basis in the Premium Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax–exempt interest on the Premium Bond rather than creating a deductible expense or loss. Holders of Premium Bonds should consult their tax advisors for an explanation of the amortization rules.

General

The approving opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority, concerning the validity of the 2003 Bonds, in substantially the form set out in APPENDIX D to this OFFICIAL STATEMENT, will be provided at the time of delivery of the 2003 Bonds. Ballard Spahr Andrews & Ingersoll, LLP, will act as Bond Counsel for the purpose of rendering its opinion: (1) as to the validity of the issuance and sale of the 2003 Bonds, and (2) as to (a) the exclusion from gross income of interest on the 2003 Bonds for federal income tax purposes, and (b) the exemption of interest on the 2003 Bonds from State of Utah individual income taxes. Copies of the opinion of Bond Counsel, in substantially the form set forth in APPENDIX D to this OFFICIAL STATEMENT, 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 2003 BONDS (except the portions under the captions "—General," "—Estimated Sources And Uses Of Funds," "—Book–Entry System," and "—Debt Service On The 2003 Bonds"), and "LEGAL MATTERS—Tax Exemption." 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 2003 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 2003 Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State. Certain matters will be passed upon for the successful bidder(s) by Ray, Quinney & Nebeker, Salt Lake City, Utah, as Disclosure Counsel to the State.

MISCELLANEOUS

Bond Ratings

Moody's and S&P have rated the 2003 Bonds "Aa1," and "AA+," 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 2003 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 2003 Bonds.

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2003 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2003 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. Such Trustee is empowered to take various actions set forth in the Indenture. See “APPENDIX B—BASIC BOND DOCUMENTATION–Miscellaneous Trustee Provisions.”

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 2003 Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the 2003 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 2003 Bonds.

The Financial Advisor has obtained permission from the Authority and the State to submit a bid or participate in a syndicate account for the purchase of the 2003 Bonds, on its behalf, at the public sale.

Independent Auditors

The Utah State Auditor, as stated in his report included as APPENDIX A to this OFFICIAL STATEMENT, has audited the financial statements as of June 30, 2003 and for the year then ended.

Additional Information

The foregoing description of the 2003 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 2003 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, State Building Ownership Authority

/s/ Edward T. Alter

Edward T. Alter, Secretary
State Building Ownership Authority

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APPENDIX A

BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The Basic Financial Statements of the State for the Fiscal Year 2003 are contained herein. 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 *eighteenth* consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2002.

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 the Fiscal Year 2004 must be completed under State law by December 31, 2004.

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Olene S. Walker
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, 2003, 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 Group Insurance; the University of Utah's hospital and component units; Utah State University; Utah Valley State College; portions of the Utah College of Applied Technology; the Dairy Commission; and the Utah State Retirement Office, which represent 55 percent of the assets and 53 percent of the revenues of the aggregate discretely presented component units and 72 percent of the assets and 1 percent of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis and the required supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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.

UTAH STATE AUDITOR
October 31, 2003

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, 2003. 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

- The State's net assets increased $262.6 million or 2.5 percent over the prior year. Net assets of governmental activities increased $323.7 million or 3.6 percent due to a stable economy and active resource management. Net assets of business-type activities decreased by $61.1 million or 3.9 percent, primarily due to higher unemployment resulting in increased unemployment claims.

Fund Level

- Combined tax revenues were 1.6 percent higher in the General Fund and 2.3 percent higher in the Uniform School Fund than the prior year as Utah's economy showed some gradual signs of recovery. The State's economic slowdown in the past two years is similar to that of the national economy.

- The Legislature faced funding critical needs for certain programs with revenue estimates showing little growth. The Legislature used a variety of methods to balance the General Fund budget including reducing agency budgets, using Tobacco Endowment Fund money, and bonding to replace cash originally appropriated for highway and building projects.

Long-term Debt

- The State's long-term bonded debt increased a net $285.9 million, or 9.2 percent. The increased debt was issued to fund highway and capital facility construction and 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 with a long-term focus of the State's finances as a whole 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 – Several 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 32 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 year-end 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 businesses. 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 loan funds to local governments) are accounted for in *enterprise funds* and are the same functions reported as *business-type activities* in the government-wide statements. 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 only be used 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 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). 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 56 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. 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 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 *Appropriation Acts*.

Adjustments to Beginning Net Assets
As described in Note 2 of the financial statements on page 63, beginning net assets of governmental activities were reduced by $60.3 million to reclassify the Public Employees Health Program to a component unit, and increased by $117.8 million for capital asset adjustments. To enhance comparability, all amounts presented for governmental activities for fiscal year 2002 in this discussion and analysis were revised, where applicable, to reflect these changes as if the changes had been made in the prior year.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets. The State's total net assets increased $262.6 million or 2.5 percent in fiscal year 2003. In comparison, net assets in the prior year decreased $93.5 million or 0.9 percent. This moderate increase in net assets resulted from a stable, slowly improving economy and the active management of state resources. Approximately $125 million of the increase was in net capital assets as the State's investment in highways and buildings exceeded depreciation and net additional debt to finance projects. The increase in restricted net assets of governmental activities resulted primarily from an increase in unspent carry forward funds of $61.7 million for education and $85.5 million for transportation, and earnings of $44.6 million in the permanent Trust Lands Fund. Restricted net assets decreased in business-type activities due to higher unemployment claims. The increase in unrestricted net assets was mainly in business-type activities, and those net assets generally can only be used to finance the business-type activities' ongoing operations.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Current and Other Assets	$ 2,832,859	$ 2,644,789	$ 2,880,978	$ 2,870,922	$ 5,713,837	$ 5,515,711
Capital Assets	9,514,418	9,137,367	51,220	42,073	9,565,638	9,179,440
Total Assets	**12,347,277**	**11,782,156**	**2,932,198**	**2,912,995**	**15,279,475**	**14,695,151**
Current and Other Liabilities	643,232	602,642	38,654	55,952	681,886	658,594
Long-term Liabilities	2,456,410	2,255,533	1,389,095	1,291,513	3,845,505	3,547,046
Total Liabilities	**3,099,642**	**2,858,175**	**1,427,749**	**1,347,465**	**4,527,391**	**4,205,640**
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,951,838	7,827,247	22,104	21,336	7,973,942	7,848,583
Restricted	973,636	776,121	814,147	916,526	1,787,783	1,692,647
Unrestricted	322,161	320,613	668,198	627,668	990,359	948,281
Total Net Assets	**$ 9,247,635**	**$ 8,923,981**	**$ 1,504,449**	**$ 1,565,530**	**$ 10,752,084**	**$ 10,489,511**
Percent change from prior year	3.6 %		(3.9)%		2.5 %	

The largest component of the State's net assets, 74.2 percent, reflects investments in capital assets (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.

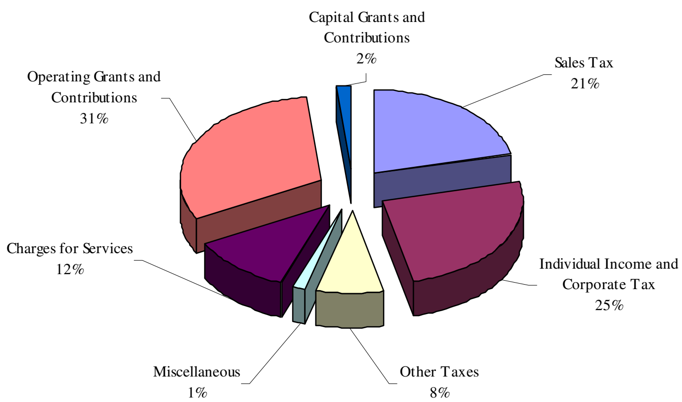
Restricted net assets comprise 16.6 percent of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted by the *Constitution of Utah* include income and corporate taxes that can only be used for public and higher education costs and motor fuel taxes that can only be used 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.

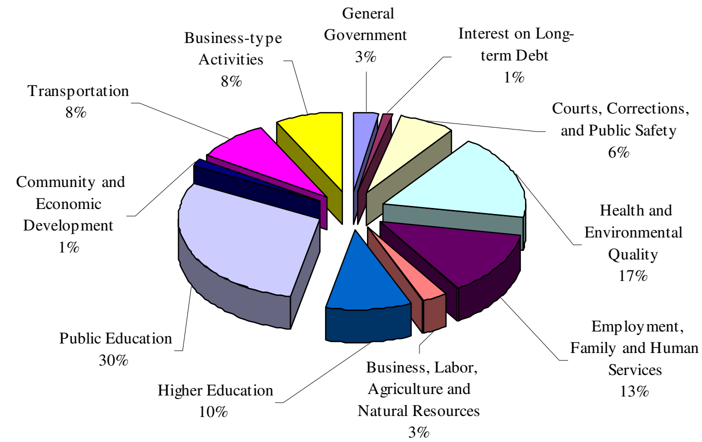
Changes in Net Assets. This year the State received 54.1 percent of its revenues from state taxes and 32.7 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 54.8 percent, and grants and contributions were 31.3 percent of total revenues. Charges for goods and services such as licenses, permits, liquor sales, state parks, and court fees, combined with other miscellaneous collections, comprised 13.2 percent of total revenues in fiscal year 2003, compared with 13.9 percent in fiscal year 2002.

The charts on the following page summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2003.

State of Utah
Total Revenues - FY 2003



State of Utah
Total Expenses - FY 2003



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
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2002 to 2003**
Revenues							
General Revenues:							
Taxes	$ 3,784,924	$ 3,598,731	$ 2,180	$ 16,343	$ 3,787,104	$ 3,615,074	4.8 %
Other General Revenues	99,620	72,226	3,212	5,995	102,832	78,221	31.5
Program Revenues:							
Charges for Services	472,610	507,698	353,138	329,282	825,748	836,980	(1.3)
Operating Grants and Contributions	2,034,177	1,794,902	130,235	163,584	2,164,412	1,958,486	10.5
Capital Grants and Contributions	123,883	109,751	—	—	123,883	109,751	12.9
Total Revenues	**6,515,214**	**6,083,308**	**488,765**	**515,204**	**7,003,979**	**6,598,512**	**6.1**
Expenses							
General Government	193,738	218,758	—	—	193,738	218,758	(11.4)
Human Services and Youth Corrections	538,492	539,028	—	—	538,492	539,028	(0.1)
Corrections, Adult	184,805	191,642	—	—	184,805	191,642	(3.6)
Public Safety	127,861	154,257	—	—	127,861	154,257	(17.1)
Courts	106,045	104,979	—	—	106,045	104,979	1.0
Health and Environmental Quality	1,177,121	1,062,393	—	—	1,177,121	1,062,393	10.8
Higher Education	647,572	704,595	—	—	647,572	704,595	(8.1)
Employment and Family Services	352,082	324,113	—	—	352,082	324,113	8.6
Natural Resources	119,528	114,083	—	—	119,528	114,083	4.8
Community and Economic Development	90,794	91,083	—	—	90,794	91,083	(0.3)
Business, Labor, and Agriculture	66,965	66,215	—	—	66,965	66,215	1.1
Public Education	1,981,119	1,999,112	—	—	1,981,119	1,999,112	(0.9)
Transportation	555,840	541,547	—	—	555,840	541,547	2.6
Interest on Long-term Debt	73,835	68,964	—	—	73,835	68,964	7.1
Student Assistance Programs	—	—	86,995	79,666	86,995	79,666	9.2
Unemployment Compensation	—	—	307,834	272,924	307,834	272,924	12.8
Water Loan Programs	—	—	7,074	6,181	7,074	6,181	14.4
Other Business-type Activities	—	—	123,706	122,694	123,706	122,694	0.8
Total Expenses	**6,215,797**	**6,180,769**	**525,609**	**481,465**	**6,741,406**	**6,662,234**	**1.2**
Excess (Deficiency) Before Special Item and Transfers	299,417	(97,461)	(36,844)	33,739	262,573	(63,722)	
Special Item – distribution to local government	—	(29,772)	—	—	—	(29,772)	
Transfers	24,237	26,358	(24,237)	(26,358)	—	—	
Change in Net Assets	**323,654**	**(100,875)**	**(61,081)**	**7,381**	**262,573**	**(93,494)**	
Net Assets – Beginning as Adjusted	8,923,981	9,024,856	1,565,530	1,558,149	10,489,511	10,583,005	
Net Assets – Ending	**$ 9,247,635**	**$ 8,923,981**	**$ 1,504,449**	**$ 1,565,530**	**$ 10,752,084**	**$ 10,489,511**	**2.5 %**

Governmental Activities

The State's total governmental revenues from all sources increased $431.9 million or 7.1 percent. Tax revenues increased $186.2 million, or 5.2 percent. This percentage increase at the government-wide level is higher than the increase in taxes at the fund level. While this increase may reflect a slight improvement in economic conditions, due to differences in measurement focus, timing of collections, and lack of historical accrued tax information, the increase at the government-wide level should not be used to predict future increases at the fund statement or budget level. With the exception of higher education expenses, other significant changes in governmental activities' revenues and expenses mirror the changes in the General Fund at the fund level. For further discussion of these changes, see the section titled "General Fund" on page 19. While part of the decrease in higher education expenses was due to cuts in general state support, a significant part of the decrease was due to a lower dollar amount of building projects completed for colleges and universities than in the prior year.

The table below 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 2003, state taxes and other general revenues covered 57.7 percent of expenses. The remaining $2.6 billion, or 42.3 percent of the total expenses were generated through charges for services and grants.

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

	Program Expenses 2003	Less Program Revenues 2003	Net Program Costs 2003	Net Program Costs 2002	Program Revenues as a Percentage of Program Expenses 2003	Program Revenues as a Percentage of Program Expenses 2002
General Government	$ 193,738	$ (158,957)	$ 34,781	$ 78,657	82.0 %	64.0 %
Human Services and Youth Corrections	538,492	(272,410)	266,082	280,837	50.6	47.9
Corrections, Adult	184,805	(7,004)	177,801	182,387	3.8	4.8
Public Safety	127,861	(66,738)	61,123	64,616	52.2	58.1
Courts	106,045	(29,695)	76,350	68,978	28.0	34.3
Health and Environmental Quality	1,177,121	(914,863)	262,258	256,114	77.7	75.9
Higher Education	647,572	(1,518)	646,054	702,896	0.2	0.2
Employment and Family Services	352,082	(311,314)	40,768	53,013	88.4	83.6
Natural Resources	119,528	(80,760)	38,768	41,226	67.6	63.9
Community and Economic Development	90,794	(39,549)	51,245	45,771	43.6	49.7
Business, Labor, and Agriculture	66,965	(57,680)	9,285	12,695	86.1	80.8
Public Education	1,981,119	(333,596)	1,647,523	1,750,928	16.8	12.4
Transportation	555,840	(356,586)	199,254	161,336	64.2	70.2
Interest on Long-term Debt	73,835	—	73,835	68,964		
Total Governmental Activities	**$ 6,215,797**	**$ (2,630,670)**	**$ 3,585,127**	**$ 3,768,418**	**42.3 %**	**39.0 %**

Business-type Activities

Despite the slow economy, revenues from the State's business-type activities remained relatively even, decreasing $26.4 million or 5.1 percent from the prior year. This decrease is partially attributable to a one-time $62.6 million distribution from the federal government to the Unemployment Compensation Fund that bolstered revenues in fiscal year 2002. This decrease in one-time revenue was partially offset by an increase in Unemployment Compensation collections from employers of 27.8 percent as higher claims resulted in increased employer taxes. Net assets for the combined business-type activities decreased $61.1 million or 3.9 percent as higher expenses in the Unemployment Compensation program offset gains in net assets in the other activities.

All of the State's business-type activities operate from program revenues except for the Water Loan Programs and the Agriculture Loan Fund which by law receive dedicated sales taxes to provide additional capital for loans. Accounting standards require unemployment taxes that are collected from employers and deposited in the Unemployment Compensation Fund 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, 2003, the State's governmental funds reported combined ending fund balances of $1.9 billion. Of this amount, $1.1 billion, or 58.1 percent is reserved for specific programs by state law, by external constraints, or by contractual obligations. Unspent bond proceeds, balances of restricted accounts, and agencies' nonlapsing balances are included in reserved fund balance. An additional $466.2 million or 24.4 percent of total fund balances has been designated through internally imposed limitations on uses of certain funds. Note 11 on page 86 contains more details about reserved and designated fund balances at June 30, 2003. The remaining $335 million or 17.5 percent of fund balance is available for appropriation for the general purposes of the funds.

State of Utah
Governmental Fund Balances as of June 30, 2003
(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund	Trust Lands Fund	Nonmajor Funds	Total
Reserved	$ 230,980	$ 54,950	$ 93,848	$ 109,266	$ 404,991	$ 215,548	$ 1,109,583
Unreserved Designated	156,016	187,165	40,429	—	—	82,596	466,206
Unreserved Undesignated	—	1,802	80,602	210,968	—	41,639	335,011
Total	**$ 386,996**	**$ 243,917**	**$ 214,879**	**$ 320,234**	**$ 404,991**	**$ 339,783**	**$ 1,910,800**
Percent change from prior year	5.2 %	33.9 %	64.1 %	4.9 %	12.4 %	(23.0)%	6.9 %

General Fund

During fiscal year 2003, the General Fund's total fund balance increased $19 million or 5.2 percent. This increase was due in large part to an unbudgeted federal appropriation for jobs and growth relief of $38 million received in the latter part of the fiscal year. The General Fund ended fiscal year 2003 with a "surplus" from unreserved and undesignated sources of $27.7 million. However, $14.3 million of federal jobs and growth relief funds were carried forward for appropriation in 2004 and included in designated fund balance. Of the remaining $13.4 million, half was transferred by law to the Budget Reserve Account ("Rainy Day Fund") and included in designated fund balance, and half was carried forward by law for other purposes as designated for specific appropriation in 2004. As a result, the General Fund ended the year with zero unreserved/undesignated fund balance. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance. The Budget Reserve Account ended fiscal year 2003 with a balance of $26.5 million.

Total General Fund revenues increased $218.6 million or 6.6 percent from the prior year. Total tax collections increased $25 million or 1.6 percent. The major changes in tax revenues were in sales tax, which inched up $9.9 million or 0.7 percent as stagnation in the economy continued; inheritance tax, which increased $23.6 million or 249.9 percent; and cigarette, tobacco, and beer taxes which together fell $5.7 million or 9.6 percent from the prior year. Also, historically low interest rates and lower cash balances kept investment income $7.1 million or 46.1 percent below last year's level. Federal funding was the largest single factor in increasing revenues for the fiscal year as federal contracts and grants climbed $183.8 million or 13.7 percent from the prior year driven by demand for services, and as stated above, the receipt of federal jobs and growth relief money.

Total General Fund expenditures increased by $107.0 million or 3.1 percent as the continued sluggish economy and higher unemployment increased the public's demand for government services which more than offset budget reductions in many agencies. The following areas were impacted most:

- *Health and Environmental Quality*. Total expenditures in this category jumped $116 million, primarily due to increased Medicaid program costs resulting from increased caseloads and pharmaceutical costs.
- *Employment and Family Services*. Total expenditures in this category were up $41.8 million as Temporary Assistance for Needy Families and Food Stamp program costs increased 16.0 and 26.3 percent, respectively.

Expenditures in *Natural Resources* also increased for fighting wildfires, and spending from capital development funds for projects such as building fish hatcheries and wildlife management facilities. The most notable reduction in spending from the prior year occurred in *Public Safety*, where expenditures (and corresponding federal revenues) were down approximately $25 million because prior year activities related to the Olympic Winter Games ended in fiscal year 2002.

Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2003 budget in their 2002 General Session and met again in a special session beginning in June 2002 to rebalance the budget in light of lowered revenue estimates. After these actions, the original General Fund budget at the start of fiscal year 2003, excluding department specific revenue sources such as federal grants and departmental collections, was 2.8 percent lower than the final fiscal year 2002 budget. The Legislature also had to address critical and mandated program increases, such as projected increases in caseloads and inflation for the Medicaid program. In order to balance the original General Fund budget, the Legislature used a variety of measures including:

- Reducing budgets across all state agencies.
- Reducing appropriations to the Centennial Highway Fund for highway construction projects by $66.4 million.
- Transferring $17.8 million to the General Fund from the Tobacco Endowment Fund.
- Obtaining $14 million from other accounts, including $10.8 million from the Centennial Highway Fund from project savings.
- Redirecting $10 million of dedicated sales tax revenue from water loan programs to the General Fund.

The Legislature met in a special session in December 2002 to address lowered revenue estimates. The budget was again addressed in the 2003 General Session of the Legislature (January to March 2003). In order to balance the final budget, the Legislature took additional action that included:

- Reducing agency budgets.
- Transferring an additional $26.6 million from the Tobacco Endowment Fund to the General Fund.
- Authorizing bonding of $35 million to replace cash originally appropriated for capital projects.
- Reducing General Fund appropriations to the Centennial Highway Fund by an additional $20 million.
- Redirecting an additional $2 million of dedicated sales tax revenue from water loan programs to the General Fund.

Additionally, in the face of expected revenue shortfalls in the latter part of the fiscal year, agencies were able to curb spending through active budget management. This action resulted in agencies lapsing $6.4 million of unspent budgeted dollars back to the General Fund. Although taxes and other unrestricted revenues ended the year slightly below the final budgeted amounts, the state ended the fiscal year with a slight surplus due to the receipt of unbudgeted federal jobs growth and fiscal relief money. Final budgets for many of the department specific revenue sources such as federal grants are revised based on actual collections.

Uniform School Fund

The Uniform School Fund's fund balance increased $61.7 million or 33.9 percent from the prior year. While individual income taxes remained relatively unchanged compared to the prior year, corporate income taxes increased $36.6 million or 29.4 percent. Federal funding increased by $34.7 million or 13.7 percent. Expenditures for public education decreased slightly by $18.8 million or 0.9 percent, as budget reductions were not entirely offset by increased per student funding approved by the Legislature for fiscal year 2003. The Uniform School Fund ended the year with unreserved fund balance of $2.4 million. Of that amount, $600 thousand was transferred by law to the Education Budget Reserve Account, a new account established by the Legislature in 2003. This resulted in a final unreserved and undesignated fund balance of $1.8 million.

Transportation Fund

Fund balance in the Transportation Fund increased $83.9 million or 64.1 percent from the prior year. This increase was the result of $52 million of unspent bond proceeds and a reduction in overall expenditures greater than a reduction of revenues. Total revenues decreased by $25.1 million or 3.6 percent. Motor and special fuels taxes and fees remained relatively flat over prior year levels; however, federal funds decreased $27.1 million or 11.4 percent.

In comparison, total expenditures decreased $89.9 million or 14 percent, primarily in construction expenditures. Authorized federal funding 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 weather.

As authorized by the Legislature, during the year the State issued $52 million of general obligation debt to provide funding to accelerate the completion of specific State transportation projects in Salt Lake County. At June 30, 2003, the Transportation Fund had not spent any of the bond proceeds, which amount is reported as reserved fund balance. Salt Lake County is obligated to pay the debt service on these bonds from dedicated county sales tax.

Centennial Highway Fund

Fund balances in the Centennial Highway Fund increased by $14.9 million, or 4.9 percent from the prior year. Revenues and expenditures in the fund remained relatively flat as compared to the prior year. Still, the Department of Transportation continued to work on several major highway projects using carry over funding from the General Fund and bond proceeds.

Due to budget constraints, the Legislature reduced General Fund transfers to the Centennial Highway Fund by $86.4 million and transferred $10.8 million of savings from the I-15 reconstruction project back to the General Fund. As a result, the State incurred an additional $109.3 million of general obligation debt to provide for highway construction needs. At June 30, 2003, all of the bond proceeds were unspent and included in reserved fund balance.

Trust Lands Fund
The fund balance of the Trust Lands Fund increased by $44.6 million, or 12.4 percent, due to revenues generated from land use, sales of trust lands, and investment income. The permanent fund also generated $8.4 million of cash investment earnings for the Uniform School Fund that is earmarked for distribution to local school districts.

Nonmajor Governmental Funds
During the year, the Legislature transferred $44.4 million from the Tobacco Endowment Fund to the General Fund in order to help balance the Fiscal Year 2003 budget.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs
The Student Assistance programs finished the year with an increase of $8.0 million or 4.0 percent in net assets. Rising enrollments at the State's colleges and universities created more demand for student loans than in prior years.

Unemployment Compensation Fund
The State's continued high unemployment rate spurred by the state and national economic slowdown resulted in a 12.8 percent increase in benefit payments over the prior year. Assets were sufficient to handle the increased demand for benefits, but net assets decreased $109.8 million, or 19.8 percent, to $444 million as benefit payments exceeded employer taxes and other revenues. Rising benefit payments will result in increased employer contributions, though the full effect of the increase will not be realized until future periods.

Water Loan Programs
To help balance the budget in fiscal year 2003, the Legislature redirected to the General Fund $12 million of sales tax that was normally earmarked for water loans. The Legislature to date has not redirected any additional sales tax earmarked for water loans for fiscal year 2004. These programs have sufficient revenues and net assets to cover current commitments.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets
The State's capital assets increased a net $386.2 million during the year. The change consisted of net increases in infrastructure (highways) of $158.9 million; land and related assets of $66.7 million; and buildings, improvements and construction in progress of $176.4 million. Machinery and equipment decreased a net $15.8 million during the year. Many buildings financed by the State are actually owned by the colleges and universities which are 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, 2003, the State had $69.6 million of outstanding debt related to capital assets of component units.

The State has adopted an allowable alternative to reporting depreciation for 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 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 for calendar year 2002, indicated that 73.0 percent of the roads were in "fair" or better condition. Only 6.6 percent of the roads assessed were in "very poor" condition. These results reflect improvement over calendar year 2001, when 70.4 percent of the roads were assessed as "fair" or better, and 8.3 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 2003, indicated that 70.0 percent and 3.0 percent of bridges were in "good" and "poor" condition, respectively. These results reflect a very slight decline over the prior year, when 70.4 percent of the bridges were assessed as "good," and 2.8 percent assessed were in "poor" condition.

During fiscal year 2003, the State spent $264.3 million to maintain and preserve roads and bridges. This amount is 2.7 percent below the estimated amount of $272 million needed to maintain these assets at established condition levels. During the last few fiscal years the State was aggressive in the maintenance and preservation of many of the State's roads in preparation for the Winter Olympic Games. The State anticipates that expenditures in future years will be more comparable to the estimated amounts needed to preserve the State's infrastructure assets.

More information about capital assets is included in Note 8 on page 73, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on page 106.

Long-term Debt

The *Constitution of Utah* authorizes general obligation borrowing only as approved by the Legislature. The *Constitution* also limits outstanding state general obligation debt to 1.5 percent of the fair market value of all taxable property in the State, while state law further restricts outstanding state general obligation debt to no more than 20 percent of the appropriations limit. As of June 30, 2003, the State was $136.4 million below the statutory debt limit and $848 million below the debt limit established in the *Constitution*. Revenue bonds 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
Outstanding Bonded Debt as of June 30
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2003	2002	2003	2002	2003	2002	2002 to 2003
General Obligation Bonds	$ 1,713.8	$ 1,498.4	$ —	$ —	$ 1,713.8	$ 1,498.4	14.4 %
Revenue Bonds:							
State Building Ownership Auth.	334.9	346.0	22.6	23.1	357.5	369.1	(3.1)
Student Assistance Programs	—	—	1,311.0	1,227.4	1,311.0	1,227.4	6.8
Water Loan Progams	—	—	2.6	4.1	2.6	4.1	(36.6)
Total Bonds Payable	$ 2,048.7	$ 1,844.4	$ 1,336.2	$ 1,254.6	$ 3,384.9	$ 3,099.0	9.2 %

The State issued $660.5 million of general obligation bonds during the fiscal year. Of the general obligation bonds issued, $140.7 million was for highway construction; $138 million was for capital facility construction; $253.1 million was to refinance prior debt to take advantage of lower interest rates through an advance refunding; and $128.7 million was to refund variable rate highway notes with fixed-rate debt to lock in favorable long-term fixed interest rates. The State issued a total of $119.8 million of revenue bonds, all to provide capital for purchasing student loans in the Student Assistance programs.

The State's active management of recent economic difficulties has helped the State maintain its triple-A rating on general obligation bonds, the highest possible rating, and double-A rating on State Building Ownership Authority lease revenue bonds from all three national rating agencies. These ratings save millions of dollars in interest each year because the State is able to obtain very favorable interest rates on new debt. Note 10 on page 77 contains more information about the State's outstanding debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Original general revenue estimates for the General Fund and Uniform School Fund for fiscal year 2004 were approximately 1.4 percent above actual revenues for fiscal year 2003. The Legislature balanced the budget by using anticipated 2003 carry over funds, eliminating certain sales tax exemptions as described below, implementing additional program reductions, transferring funds from the tobacco settlement and other restricted accounts as allowed by law, and utilizing other miscellaneous sources. Those adjustments also made funding available for increases in Medicaid, public education and higher education, and increased costs of benefits for State and higher education employees.

The Legislature in its 2003 General Session eliminated the sales tax exemption for multi-channel video or audio service. This action is expected to yield $14 million per year for the General Fund. The Legislature also enacted a bill that imposes a tax on hazardous waste facilities, nonhazardous solid waste facilities, and radioactive waste facilities and eliminates a tax on radioactive waste. These tax changes are expected to generate an additional $2.2 million per year in revenues.

Revenue collections to date in fiscal year 2004 are in line with original estimates.

Utah's economy is expected to remain stable or only moderately improve in the near future. The average unemployment rate is expected to decline in 2003 to 5.7 percent, down from an average 2002 rate of 6.1 percent. Taxable retail sales are expected to increase 1.5 percent by the end of 2003, and growth in personal income is expected to be 2.4 percent for the same period. 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 2004.

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 Division of Finance, Financial Reporting Section at (801) 538-3082 or visit our website 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 which include their respective management's discussion and analysis. Component unit statements may be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capitol, Salt Lake City, UT 84114.

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Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 567,837	$ 647,558	$ 1,215,395	$ 546,456
Investments	1,040,446	269,160	1,309,606	1,155,596
Taxes Receivable, net	524,670	552	525,222	—
Accounts and Interest Receivable, net	623,633	82,565	706,198	280,476
Amounts Due From:				
Component Units	18,922	—	18,922	—
Primary Government	—	—	—	4,812
Prepaid Items	1,516	2,214	3,730	11,489
Inventories	11,520	17,753	29,273	34,441
Internal Balances	14,163	(14,163)	—	—
Restricted Investments	—	61,182	61,182	421,014
Deferred Charges	4,320	15,966	20,286	47,114
Notes/Loans/Mortgages/Pledges Receivable, net	18,306	1,798,191	1,816,497	899,083
Other Assets	7,526	—	7,526	16,991
Capital Assets:				
Land and Related Non-depreciable Assets	671,807	14,337	686,144	102,695
Infrastructure	7,513,155	495	7,513,650	—
Construction in Progress	547,486	—	547,486	109,228
Buildings, Equipment, and Other Depreciable Assets	1,358,759	51,247	1,410,006	3,208,394
Less Accumulated Depreciation	(576,789)	(14,859)	(591,648)	(1,385,235)
Total Capital Assets	9,514,418	51,220	9,565,638	2,035,082
Total Assets	12,347,277	2,932,198	15,279,475	5,452,554
LIABILITIES				
Accounts Payable and Accrued Liabilities	549,458	25,156	574,614	211,020
Amounts Due to:				
Component Units	4,812	—	4,812	—
Primary Government	—	—	—	18,922
Securities Lending	—	—	—	17,523
Deferred Revenue	88,796	7,766	96,562	69,395
Deposits	166	64	230	83,385
Other Liabilities	—	5,668	5,668	2,660
Long-term Liabilities (Note 10)				
Due Within One Year	207,588	8,191	215,779	333,273
Due in More Than One Year	2,248,822	1,380,904	3,629,726	1,579,636
Total Liabilities	3,099,642	1,427,749	4,527,391	2,315,814
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,951,838	22,104	7,973,942	1,575,079
Restricted for:				
Transportation	214,385	—	214,385	—
Public Education – Expendable	271,700	—	271,700	—
Public Education – Nonexpendable	404,991	—	404,991	—
Higher Education – Expendable	—	—	—	446,465
Higher Education – Nonexpendable	—	—	—	312,187
Capital Projects	1,239	—	1,239	—
Debt Service	6,204	23,035	29,239	153,453
Unemployment Compensation and Insurance Programs	3,445	443,971	447,416	69,992
Loan Programs	2,478	347,141	349,619	—
Other Purposes – Expendable	69,194	—	69,194	7,358
Unrestricted	322,161	668,198	990,359	572,206
Total Net Assets	$ 9,247,635	$ 1,504,449	$ 10,752,084	$ 3,136,740

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, 2003 (Expressed in Thousands)

		Program Revenues		
Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental:				
General Government	$ 193,738	$ 84,500	$ 74,457	$ —
Human Services and Youth Corrections	538,492	17,182	255,228	—
Corrections, Adult	184,805	6,235	769	—
Public Safety	127,861	28,471	38,267	—
Courts	106,045	29,221	474	—
Health and Environmental Quality	1,177,121	74,087	840,776	—
Higher Education	647,572	676	842	—
Employment and Family Services	352,082	5,397	305,917	—
Natural Resources	119,528	35,353	45,407	—
Community and Economic Development	90,794	4,807	34,742	—
Business, Labor, and Agriculture	66,965	50,318	7,362	—
Public Education	1,981,119	38,604	294,992	—
Transportation	555,840	97,759	134,944	123,883
Interest and Other Charges on Long-term Debt	73,835	—	—	—
Total Governmental Activities	6,215,797	472,610	2,034,177	123,883
Business-type:				
Student Assistance Programs	86,995	73,685	21,316	—
Unemployment Compensation	307,834	108,130	92,303	—
Water Loan Programs	7,074	8,975	14,460	—
Other Business-type Activities	123,706	162,348	2,156	—
Total Business-type Activities	525,609	353,138	130,235	0
Total Primary Government	$ 6,741,406	$ 825,748	$ 2,164,412	$ 123,883
Component Units:				
Utah Housing Corporation	$ 78,968	$ 85,556	$ —	$ —
Public Employees Health Program	342,815	346,869	7,017	—
University of Utah	1,657,328	1,172,702	317,377	28,052
Utah State University	392,875	103,059	171,848	12,130
Nonmajor Colleges and Universities	627,842	230,177	133,476	14,669
Nonmajor Component Units	22,818	12,991	56	—
Total Component Units	$ 3,122,646	$ 1,951,354	$ 629,774	$ 54,851

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

Unrestricted Investment Income

State Funding for Colleges and Universities

State Funding for Other Component Units

Gain on Sale of Capital Assets

Federal Appropriation—Jobs and Growth Relief

Miscellaneous

Permanent Endowments Contributions

Special Item—Technology Finance Corporation Liquidation Transfers

Transfers—Internal Activities

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets—Beginning

Adjustments 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
$ (34,781)	$ —	$ (34,781)	$ —
(266,082)	—	(266,082)	—
(177,801)	—	(177,801)	—
(61,123)	—	(61,123)	—
(76,350)	—	(76,350)	—
(262,258)	—	(262,258)	—
(646,054)	—	(646,054)	—
(40,768)	—	(40,768)	—
(38,768)	—	(38,768)	—
(51,245)	—	(51,245)	—
(9,285)	—	(9,285)	—
(1,647,523)	—	(1,647,523)	—
(199,254)	—	(199,254)	—
(73,835)	—	(73,835)	—
(3,585,127)	0	(3,585,127)	0
—	8,006	8,006	—
—	(107,401)	(107,401)	—
—	16,361	16,361	—
—	40,798	40,798	—
0	(42,236)	(42,236)	0
(3,585,127)	(42,236)	(3,627,363)	0
—	—	—	6,588
—	—	—	11,071
—	—	—	(139,197)
—	—	—	(105,838)
—	—	—	(249,520)
—	—	—	(9,771)
0	0	0	(486,667)
1,488,452	2,180	1,490,632	—
1,604,618	—	1,604,618	—
160,705	—	160,705	—
317,536	—	317,536	—
213,613	—	213,613	—
3,784,924	2,180	3,787,104	0
9,152	2,248	11,400	709
—	—	—	607,550
—	—	—	3,259
15,412	—	15,412	—
37,970	—	37,970	—
37,086	964	38,050	—
—	—	—	13,517
—	—	—	(2,685)
24,237	(24,237)	—	—
3,908,781	(18,845)	3,889,936	622,350
323,654	(61,081)	262,573	135,683
8,866,508	1,565,530	10,432,038	2,957,561
57,473	—	57,473	43,496
8,923,981	1,565,530	10,489,511	3,001,057
$ 9,247,635	$ 1,504,449	$ 10,752,084	$ 3,136,740

Balance Sheet
Governmental Funds

June 30, 2003 (Expressed in Thousands)

		Special Revenue		
	General	Uniform School	Transportation	Centennial Highway
ASSETS				
Cash and Cash Equivalents	$ 97,833	$ 65,822	$ 129,739	$ 109,427
Investments	64,095	—	78,444	205,378
Receivables:				
Accounts, net	444,425	41,607	58,452	24,997
Accrued Interest	49	—	—	—
Accrued Taxes, net	211,902	258,634	53,525	609
Notes/Mortgages, net	4,903	6,624	615	—
Due From Other Funds	22,571	2,897	21,839	42
Due From Component Units	645	—	—	—
Inventories	458	—	7,079	—
Interfund Loans Receivable	43,546	—	—	—
Other Assets	—	—	—	—
Total Assets	$ 890,427	$ 375,584	$ 349,693	$ 340,453
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 304,091	$ 78,542	$ 101,957	$ 68
Due To Other Funds	13,997	2,002	3,432	17,607
Due To Component Units	—	—	—	—
Deferred Revenue	185,343	51,123	29,425	66
Interfund Loans Payable	—	—	—	2,478
Total Liabilities	503,431	131,667	134,814	20,219
Fund Balances:				
Reserved for:				
Nonlapsing Appropriations and Encumbrances	67,561	36,700	2,449	—
Specific Purposes by Statute	119,873	18,250	91,399	109,266
Interfund Loans Receivable	43,546	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Unreserved Designated	156,016	187,165	40,429	—
Unreserved Designated, reported in nonmajor:				
Capital Projects Funds	—	—	—	—
Debt Service Funds	—	—	—	—
Unreserved Undesignated	—	1,802	80,602	210,968
Unreserved Undesignated, reported in nonmajor:				
Special Revenue Funds	—	—	—	—
Total Fund Balances	386,996	243,917	214,879	320,234
Total Liabilities and Fund Balances	$ 890,427	$ 375,584	$ 349,693	$ 340,453

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ 92	$ 102,910	$ 505,823
392,235	300,294	1,040,446
14,164	29,135	612,780
1,031	62	1,142
—	—	524,670
6,009	155	18,306
3,796	4,183	55,328
—	18,277	18,922
—	—	7,537
—	—	43,546
7,526	—	7,526
$ 424,853	$ 455,016	$ 2,836,026
$ —	$ 52,864	$ 537,522
160	3,133	40,331
—	4,812	4,812
19,702	54,424	340,083
—	—	2,478
19,862	115,233	925,226
—	119,097	225,807
404,991	34,338	778,117
—	—	43,546
—	53,216	53,216
—	8,897	8,897
—	—	383,610
—	75,489	75,489
—	7,107	7,107
—	—	293,372
—	41,639	41,639
404,991	339,783	1,910,800
$ 424,853	$ 455,016	$ 2,836,026

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

June 30, 2003 (Expressed in Thousands)

Total Fund Balances for Governmental Funds		$ 1,910,800
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	$ 671,790	
Infrastructure, Non-depreciable	7,513,155	
Construction-In-Progress	545,954	
Buildings, Equipment, and Other Depreciable Assets	1,166,380	
Accumulated depreciation	(466,379)	9,430,900
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.		252,446
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.		62,508
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.		4,320
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	(1,954,207)	
Unamortized Premiums	(107,435)	
Amount Deferred on Refunding	14,038	
Accrued Interest Payable	(1,598)	
Postemployment Benefits	(216,442)	
Compensated Absences	(134,746)	
Capital Leases	(12,846)	
Arbitrage Liability	(103)	(2,413,339)
Total Net Assets of Governmental Activities		$ 9,247,635

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

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State of Utah

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

For the Fiscal Year Ended June 30, 2003 (Expressed in Thousands)

	General	Special Revenue: Uniform School	Special Revenue: Transportation	Special Revenue: Centennial Highway
REVENUES				
Taxes:				
Sales and Use Tax	$ 1,447,281	$ —	$ 29,701	$ 4,841
Individual Income Tax	—	1,587,520	—	—
Corporate Tax	—	161,129	—	—
Motor and Special Fuels Tax	—	—	321,370	—
Other Taxes	187,397	15,799	7,796	—
Total Taxes	1,634,678	1,764,448	358,867	4,841
Other Revenues:				
Federal Contracts and Grants	1,524,832	287,709	191,105	42,753
Charges for Services/Royalties	182,090	1,682	20,783	—
Licenses, Permits, and Fees	17,745	4,310	60,755	18,719
Federal Mineral Lease	46,335	—	—	—
Federal Aeronautics	—	—	18,791	—
Intergovernmental	—	—	—	—
Investment Income	8,258	8,473	2,539	5,355
Miscellaneous and Other	124,422	6,923	19,452	—
Total Revenues	3,538,360	2,073,545	672,292	71,668
EXPENDITURES				
Current:				
General Government	151,281	—	—	—
Human Services and Youth Corrections	532,270	—	—	—
Corrections, Adult	176,624	—	—	—
Public Safety	122,830	—	—	—
Courts	97,348	—	—	—
Health and Environmental Quality	1,171,877	—	—	—
Higher Education – State Administration	34,891	—	—	—
Higher Education – Colleges and Universities	592,668	—	—	—
Employment and Family Services	362,931	—	—	—
Natural Resources	132,388	—	—	—
Community and Economic Development	88,731	—	—	—
Business, Labor, and Agriculture	55,583	—	—	—
Public Education	—	1,979,461	—	—
Transportation	—	—	552,262	203,877
Capital Outlay	—	—	—	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	3,519,422	1,979,461	552,262	203,877
Excess Revenues Over (Under) Expenditures	18,938	94,084	120,030	(132,209)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	—	—	45,400	95,285
Premium (Discount) on Bonds Issued	—	—	6,600	13,981
Refunding Bonds Issued	—	—	—	—
Payment of Current Bond Refunding	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sale of Trust Lands	—	—	—	—
Transfers In	146,547	1,565	19,412	124,648
Transfers Out	(146,514)	(33,951)	(107,483)	(86,828)
Total Other Financing Sources (Uses)	33	(32,386)	(36,071)	147,086
Net Change in Fund Balances	18,971	61,698	83,959	14,877
Fund Balances – Beginning	368,025	182,219	130,920	305,357
Fund Balances – Ending	$ 386,996	$ 243,917	$ 214,879	$ 320,234

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ —	$ —	$ 1,481,823
—	—	1,587,520
—	—	161,129
—	—	321,370
—	2,626	213,618
0	2,626	3,765,460
—	3,523	2,049,922
23,985	7,201	235,741
—	8,786	110,315
—	972	47,307
—	—	18,791
—	8,463	8,463
5,208	4,793	34,626
—	42,651	193,448
29,193	79,015	6,464,073
—	19,385	170,666
—	1,628	533,898
—	2,491	179,115
—	2,687	125,517
—	1,436	98,784
—	3,215	1,175,092
—	—	34,891
—	4,809	597,477
—	185	363,116
—	1,859	134,247
—	3,255	91,986
—	10,799	66,382
—	419	1,979,880
—	495	756,634
—	205,861	205,861
—	109,653	109,653
—	79,367	79,367
0	447,544	6,702,566
29,193	(368,529)	(238,493)
—	138,020	278,705
—	67,175	87,756
—	381,800	381,800
—	(150,000)	(150,000)
—	(279,369)	(279,369)
15,412	—	15,412
10	166,552	458,734
—	(57,057)	(431,833)
15,422	267,121	361,205
44,615	(101,408)	122,712
360,376	441,191	1,788,088
$ 404,991	$ 339,783	$ 1,910,800

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, 2003 (Expressed in Thousands)

Net Change in Fund Balances – Total Governmental Funds		$ 122,712
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 $451,981 exceeded depreciation $(50,572) and buildings “transferred” to component units $(15,207) in the current period. (See Note 8)		386,202
In the Statement of Activities, only the gain 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 cost of the assets sold.		(2,591)
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.		19,222
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.		(4,537)
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	$ (660,505)	
Premiums on Bonds Issued	(87,756)	
Payment to Refund Bonds	413,675	
Amount Deferred on Refunding	15,828	
Payment of Bond Principal	109,653	
Capital Lease Payments	2,180	(206,925)
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:		
Postemployment Benefits Expenses	(445)	
Compensated Absences Expenses	2,081	
Arbitrage Interest Expense	(4)	
Accrued Interest on Bonds Payable	66	
Amortization of Bond Premiums	7,963	
Amortization of Amount Deferred on Refunding	(1,790)	
Deferred Bond Issue Costs	1,700	9,571
Change in Net Assets of Governmental Activities		$ 323,654

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

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Statement Of Net Assets
Proprietary Funds

June 30, 2003 (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	$ 84,973	$ 415,508	$ 74,164	$ 72,913
Investments	267,640	—	—	183
Receivables:				
Accounts, net	8,189	37,697	226	8,452
Accrued Interest	17,356	—	4,036	2,428
Accrued Taxes, net	—	—	552	—
Notes/Loans/Mortgages, net	118,408	—	22,715	14,273
Due From Other Funds	—	—	159	2,454
Interfund Loans Receivable	—	—	—	20
Prepaid Items	2,154	—	—	60
Inventories	—	—	—	17,753
Total Current Assets	498,720	453,205	101,852	118,536
Noncurrent Assets:				
Restricted Investments	60,485	—	697	—
Investments	—	—	—	1,337
Notes/Loans/Mortgages Receivables, net	1,006,274	—	408,958	227,563
Accrued Interest Receivable	—	—	3,787	394
Deferred Charges	15,966	—	—	—
Interfund Loans Receivable	—	—	—	60
Capital Assets:				
Land	—	—	—	14,337
Buildings and Improvements	7,872	—	—	32,236
Machinery and Equipment	1,387	—	—	9,752
Construction in Progress	—	—	—	495
Less Accumulated Depreciation	(1,170)	—	—	(13,689)
Total Capital Assets	8,089	0	0	43,131
Total Noncurrent Assets	1,090,814	0	413,442	272,485
Total Assets	1,589,534	453,205	515,294	391,021
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	9,500	758	435	11,370
Deposits	—	64	—	—
Due To Other Funds	—	2,744	72	14,116
Interfund Loans Payable	—	—	—	—
Deferred Revenue	1,629	—	86	1,475
Policy Claims Liabilities	—	5,668	—	—
Revenue Bonds Payable	4,578	—	1,580	917
Total Current Liabilities	15,707	9,234	2,173	27,878
Noncurrent Liabilities:				
Accrued Liabilities	4,133	—	—	—
Deferred Revenue	4,576	—	—	—
Policy Claims Liabilities	—	—	—	—
Revenue Bonds Payable	1,306,441	—	1,060	21,635
Interfund Loans Payable	—	—	—	—
Arbitrage Liability	51,768	—	—	—
Total Noncurrent Liabilities	1,366,918	0	1,060	21,635
Total Liabilities	1,382,625	9,234	3,233	49,513
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	564	—	—	21,540
Restricted for:				
Unemployment Compensation and Insurance Programs	—	443,971	—	—
Loan Programs	126,931	—	189,413	30,797
Debt Service	—	—	23,035	—
Unrestricted (Deficit)	79,414	—	299,613	289,171
Total Net Assets	$ 206,909	$ 443,971	$ 512,061	$ 341,508

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

Total	Governmental Activities – Internal Service Funds
$ 647,558	$ 62,014
267,823	—
54,564	2,730
23,820	—
552	—
155,396	—
2,613	11,809
20	—
2,214	1,516
17,753	3,983
1,172,313	82,052
61,182	—
1,337	—
1,642,795	—
4,181	—
15,966	—
60	2,478
14,337	17
40,108	8,287
11,139	184,092
495	1,532
(14,859)	(110,410)
51,220	83,518
1,776,741	85,996
2,949,054	168,048
22,063	9,876
64	166
16,932	6,044
—	20,764
3,190	1,159
5,668	10,860
7,075	40
54,992	48,909
4,133	—
4,576	—
—	32,799
1,329,136	970
—	22,862
51,768	—
1,389,613	56,631
1,444,605	105,540
22,104	82,508
443,971	3,445
347,141	2,478
23,035	—
668,198	(25,923)
$ 1,504,449	$ 62,508

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

For the Fiscal Year Ended June 30, 2003 (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	$ 22,578	$ 108,130	$ 163	$ 153,910
Fees and Assessments	3,665	—	14	3,378
Interest on Notes/Mortgages	46,151	—	8,798	4,946
Federal Reinsurance and Allowances/Reimbursements	13,555	62,844	—	—
Miscellaneous	1,291	—	—	114
Total Operating Revenues	87,240	170,974	8,975	162,348
OPERATING EXPENSES				
Administration	3,856	—	—	23,689
Purchases, Materials, and Services for Resale	—	—	—	90,279
Grants	—	—	6,468	817
Rentals and Leases	—	—	—	1,562
Maintenance	—	—	—	1,934
Interest	39,574	—	—	—
Depreciation	500	—	—	1,695
Student Loan Servicing and Related Expenses	22,084	—	—	—
Payment to Lenders for Guaranteed Claims	13,903	—	—	—
Benefit Claims and Unemployment Compensation	—	307,834	—	—
Supplies and Other Miscellaneous	6,948	—	405	3,047
Total Operating Expenses	86,865	307,834	6,873	123,023
Operating Income (Loss)	375	(136,860)	2,102	39,325
NONOPERATING REVENUES (EXPENSES)				
Investment Income	7,761	29,459	1,697	1,520
Federal Grants	—	—	13,540	2,107
Gain (Loss) on Sale of Capital Assets	—	—	—	—
Tax Revenues	—	—	2,065	115
Interest Expense	—	—	(201)	(683)
Refunds Paid to Federal Government	—	—	—	—
Other Revenues (Expenses)	(130)	—	44	920
Total Nonoperating Revenues (Expenses)	7,631	29,459	17,145	3,979
Income (Loss) before Transfers	8,006	(107,401)	19,247	43,304
Transfers In	—	—	1,582	15,039
Transfers Out	—	(2,369)	(2,808)	(35,681)
Change in Net Assets	8,006	(109,770)	18,021	22,662
Net Assets – Beginning	198,903	553,741	494,040	318,846
Fund Reclassifed to Component Units	—	—	—	—
Net Assets – Beginning as Adjusted	198,903	553,741	494,040	318,846
Net Assets – Ending	$ 206,909	$ 443,971	$ 512,061	$ 341,508

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

Total	Governmental Activities – Internal Service Funds
$ 284,781	$ 163,097
7,057	—
59,895	—
76,399	—
1,405	113
429,537	163,210
27,545	34,324
90,279	56,751
7,285	1,246
1,562	4,723
1,934	15,728
39,574	—
2,195	22,199
22,084	—
13,903	—
307,834	5,674
10,400	23,736
524,595	164,381
(95,058)	(1,171)
40,437	1,469
15,647	1,080
—	(2,009)
2,180	—
(884)	(52)
—	(521)
834	(669)
58,214	(702)
(36,844)	(1,873)
16,621	640
(40,858)	(3,304)
(61,081)	(4,537)
1,565,530	127,325
—	(60,280)
1,565,530	67,045
$ 1,504,449	$ 62,508

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2003 (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 ...	$ 57,239	$ 99,977	$ 8,929	$ 178,717
Receipts from Loan Maturities	264,804	—	28,805	15,411
Receipts Federal Reinsurance & Allowances/Reimburse ..	37,730	62,839	—	—
Receipts from State Customers	574	—	—	8,268
Student Loan Disbursements Received from Lenders	284,721	—	—	—
Student Loan Disbursements Sent to Schools/Lenders	(284,835)	—	—	—
Payments to Suppliers/Claims/Grants	(31,003)	(311,855)	(5,326)	(97,312)
Disbursements for Loans Receivable	(351,388)	—	(35,936)	(30,092)
Payments on Loan Guarantees	(22,075)	—	—	—
Payments for Employee Services and Benefits	(3,165)	—	—	(20,483)
Payments to State Suppliers	(755)	—	(998)	(1,005)
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	(24,004)
Net Cash Provided (Used) by Operating Activities	(48,153)	(149,039)	(4,526)	29,500
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	7,271
Repayments Under Interfund Loans	—	—	—	(8,945)
Receipts from Bonds, Notes, and Deposits	121,490	14	—	—
Payments of Bonds, Notes, Deposits, and Refunds	(36,110)	(6)	(1,495)	—
Interest Paid on Bonds, Notes, and Financing Costs	(28,323)	—	(91)	—
Federal Grants and Other Revenues	—	—	13,431	3,075
Restricted Sales Tax	—	—	4,046	115
Transfers In from Other Funds	—	—	1,582	14,191
Transfers Out to Other Funds	—	—	(2,808)	(34,358)
Net Cash Provided (Used) by Noncapital Financing Activities	57,057	8	14,665	(18,651)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Repayments Under Interfund Loans	—	—	—	—
Proceeds from Bond and Note Debt Issuance/Grants	—	—	—	9,484
Proceeds from Disposition of Capital Assets	129	—	—	—
Principal Paid on Debt and Contract Maturities	—	—	—	(539)
Acquisition and Construction of Capital Assets	(105)	—	—	(12,333)
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	(802)
Transfers In from Other Funds	—	—	—	742
Transfers Out to Other Funds	—	(2,369)	—	(1,323)
Net Cash Provided (Used) by Capital and Related Financing Activities	24	(2,369)	0	(4,771)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	537,121	—	3,256	—
Receipts of Interest and Dividends from Investments	7,724	29,459	1,713	1,536
Payments to Purchase Investments	(545,582)	—	(3,139)	—
Net Cash Provided (Used) by Investing Activities	(737)	29,459	1,830	1,536
Net Cash Provided (Used) – All Activities	8,191	(121,941)	11,969	7,614
Cash and Cash Equivalents – Beginning	76,782	537,449	62,195	65,299
Cash and Cash Equivalents – Ending	$ 84,973	$ 415,508	$ 74,164	$ 72,913

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

Total	Governmental Activities – Internal Service Funds
$ 344,862	$ 31,947
309,020	—
100,569	—
8,842	139,084
284,721	—
(284,835)	—
(445,496)	(80,329)
(417,416)	—
(22,075)	—
(23,648)	(34,750)
(2,758)	(33,894)
(24,004)	—
(172,218)	22,058
7,271	—
(8,945)	—
121,504	—
(37,611)	(521)
(28,414)	—
16,506	1,080
4,161	—
15,773	561
(37,166)	(3,304)
53,079	(2,184)
0	2,916
0	(4,008)
9,484	—
129	3,687
(539)	(40)
(12,438)	(22,004)
(802)	(52)
742	79
(3,692)	—
(7,116)	(19,422)
540,377	—
40,432	1,469
(548,721)	—
32,088	1,469
(94,167)	1,921
741,725	60,093
$ 647,558	$ 62,014

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2003 (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)	$ 375	$ (136,860)	$ 2,102	$ 39,325
Adjustments to Reconcile Operating Income (Loss)				
Depreciation Expense	500	—	—	1,695
Interest Expense for Noncapital and Capital Financing	23,083	—	—	—
Miscellaneous Gains, Losses, and Other Items	3,966	—	—	1,097
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	2,789	(10,954)	178	(1,199)
Notes/Accrued Interest Receivables	(92,967)	—	(6,898)	(13,643)
Inventories	—	—	—	(748)
Prepaid Items	(199)	—	—	(17)
Accrued Liabilities/Due to Other Funds	13,301	796	92	3,292
Deferred Revenue/Deposits	999	—	—	(302)
Policy Claims Liabilities	—	(2,021)	—	—
Net Cash Provided (Used) by Operating Activities	$ (48,153)	$ (149,039)	$ (4,526)	$ 29,500
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ 726	$ —	$ 99	$ 70
Investments Returned to the Federal Government	(14,046)	—	—	—
Total Noncash Investing, Capital, and Financing Activities	$ (13,320)	$ 0	$ 99	$ 70

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

Total	Governmental Activities – Internal Service Funds
$ (95,058)	$ (1,171)
2,195	22,199
23,083	—
5,063	—
(9,186)	1,550
(113,508)	91
(748)	124
(216)	859
17,481	3,465
697	(1,904)
(2,021)	(3,155)
$ (172,218)	$ 22,058
$ 895	$ 80
(14,046)	—
$ (13,151)	$ 80

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2003 (Expressed in Thousands)

	Pension Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 749,303	$ 2,251	$ 27,961	$ 84,206
Investments	13,858,730	3,929,294	511,634	12,274
Receivables:				
Accounts	21	—	5,112	26
Contributions	20,600	—	—	—
Investments	154,848	—	—	—
Accrued Interest	—	13,974	—	—
Accrued Assessments	—	—	8,563	—
Due From Other Funds	—	—	383	155
Land	1,779	—	247	—
Buildings and Improvements	10,715	—	4,493	—
Machinery and Equipment	2,974	—	198	—
Less Accumulated Depreciation	(10,341)	—	(978)	—
Total Assets	14,788,629	3,945,519	557,613	$ 96,661
LIABILITIES				
Accounts Payable	307,068	—	657	—
Securities Lending Liability	1,418,572	—	—	—
Due To Other Funds	—	—	6,981	—
Due To Other Individuals or Groups	—	—	—	28,197
Due To Other Taxing Units	—	—	—	68,464
Deferred Revenue	—	—	337	—
Leave/Postemployment Benefits	1,594	—	—	—
Policy Claims Liabilities/Insurance Reserves	43,155	—	374,282	—
Mortgages Payable	73,460	—	—	—
Total Liabilities	1,843,849	0	382,257	$ 96,661
NET ASSETS				
Held in trust for:				
Pension Benefits	11,460,455	—	—	
Deferred Compensation	1,484,325	—	—	
Pool Participants	—	3,945,519	—	
Individuals, Organizations, and Other Governments	—	—	175,356	
Total Net Assets	$ 12,944,780	$ 3,945,519	$ 175,356	
Participant Account Balance Net Asset Valuation Factor		1.001434		

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, 2003 (Expressed in Thousands)

	Pension Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 202,102	$ —	$ 206,897
Employer	340,727	—	—
Court Fees and Fire Insurance Premiums	11,835	—	—
Total Contributions	554,664	0	206,897
Pool Participant Deposits	—	5,688,743	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(1,471,447)	14,312	13,202
Interest, Dividends, and Other Investment Income	375,215	79,054	7,987
Less Investment Expenses	(25,424)	(100)	—
Net Investment Income	(1,121,656)	93,266	21,189
Transfers From Affiliated Systems	15,420	—	—
Other Additions:			
Escheats	—	—	10,355
Royalties and Rents	—	—	2,205
Fees, Assessments, and Revenues	—	—	66,715
Miscellaneous	—	—	6,009
Receipts from Primary Government	—	—	3,200
Total Other	0	0	88,484
Total Additions	(551,572)	5,782,009	316,570
DEDUCTIONS			
Pension Benefits	488,489	—	—
Refunds/Plan Distributions	97,414	—	—
Earnings Distribution	—	76,681	—
Pool Participant Withdrawals	—	5,006,457	—
Transfers To Affiliated Systems	15,420	—	—
Trust Operating Expenses	—	—	32,262
Distributions and Benefit Payments	—	—	42,416
Administrative and General Expenses	13,348	—	6,869
Total Deductions	614,671	5,083,138	81,547
Change in Net Assets Held in Trust for:			
Pension Benefits	(1,121,005)	—	—
Deferred Compensation	(45,238)	—	—
Pool Participants	—	698,871	—
Individuals, Organizations, and Other Governments	—	—	235,023
Net Assets – Beginning	14,111,023	3,246,648	(59,667)
Net Assets – Ending	$ 12,944,780	$ 3,945,519	$ 175,356

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

Combining Statement Of Net Assets
Component Units

June 30, 2003 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,857	$ 3,790	$ 252,592	$ 133,235
Investments	486,933	59,982	40,113	12,039
Receivables:				
Accounts, net	—	22,755	173,255	48,059
Notes/Loans/Mortgages/Pledges, net	13,547	—	10,267	12,064
Accrued Interest	7,517	1,060	2,330	—
Due From Primary Government	—	—	4,812	—
Prepaid Items	1,092	—	—	5,723
Inventories	—	—	23,440	3,025
Deferred Charges	—	—	12,338	—
Total Current Assets	513,946	87,587	519,147	214,145
Noncurrent Assets:				
Restricted Investments	70,370	—	230,252	34,510
Accounts Receivables, net	—	—	—	1,734
Investments	121,662	94,965	280,288	8,655
Notes/Loans/Mortgages/Pledges Receivables, net	805,407	—	27,840	8,049
Deferred Charges	14,805	—	19,633	—
Other Assets	—	—	—	—
Capital Assets (net of Accumulated Depreciation)	1,185	1,359	1,024,498	330,335
Total Noncurrent Assets	1,013,429	96,324	1,582,511	383,283
Total Assets	1,527,375	183,911	2,101,658	597,428
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	42,653	7,929	101,499	33,229
Securities Lending Liability	—	17,523	—	—
Deposits	—	—	61,463	8,852
Due To Primary Government	—	645	13,765	249
Deferred Revenue	—	6,209	19,107	26,727
Policy Claims Liabilities	—	—	—	—
Current Portion of Long-term Liabilities (Note 10)	243,280	40,604	23,690	9,471
Total Current Liabilities	285,933	72,910	219,524	78,528
Noncurrent Liabilities:				
Accrued Liabilities	1,840	—	—	—
Deferred Revenue	—	—	—	572
Deposits	—	—	9,613	—
Long-term Liabilities (Note 10)	1,048,381	39,650	327,213	66,686
Total Noncurrent Liabilities	1,050,221	39,650	336,826	67,258
Total Liabilities	1,336,154	112,560	556,350	145,786
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,185	1,359	692,717	280,754
Restricted for:				
Nonexpendable:				
Higher Education	—	—	207,450	48,355
Expendable:				
Higher Education	—	—	272,044	70,624
Debt Service	153,453	—	—	—
Insurance Plans	—	69,992	—	—
Other	—	—	—	—
Unrestricted	36,583	—	373,097	51,909
Total Net Assets	$ 191,221	$ 71,351	$ 1,545,308	$ 451,642

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

Nonmajor Component Units	Total
$ 151,982	$ 546,456
19,399	618,466
23,129	267,198
3,436	39,314
234	11,141
—	4,812
4,674	11,489
7,976	34,441
338	12,676
211,168	1,545,993
85,882	421,014
403	2,137
31,560	537,130
18,473	859,769
—	34,438
16,991	16,991
677,705	2,035,082
831,014	3,906,561
1,042,182	5,452,554
21,704	207,014
—	17,523
2,408	72,723
4,263	18,922
16,780	68,823
2,660	2,660
16,228	333,273
64,043	720,938
2,166	4,006
—	572
1,049	10,662
97,706	1,579,636
100,921	1,594,876
164,964	2,315,814
599,064	1,575,079
56,382	312,187
103,797	446,465
—	153,453
—	69,992
7,358	7,358
110,617	572,206
$ 877,218	$ 3,136,740

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2003 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
Expenses	$ 78,968	$ 342,815	$ 1,657,328	$ 392,875
Program Revenues:				
Charges for Services:				
Tuition and Fees	—	—	117,109	71,037
Scholarship Allowances	—	—	(9,313)	(23,680)
Sales, Services, and Other Revenues (net of University of Utah patient services allowance of $27,117)	85,556	346,869	1,064,906	55,702
Operating Grants and Contributions	—	7,017	317,377	171,848
Capital Grants and Contributions	—	—	28,052	12,130
Total Program Revenues	85,556	353,886	1,518,131	287,037
Net (Expenses) Revenues	6,588	11,071	(139,197)	(105,838)
General Revenues:				
State Appropriations	—	—	227,821	124,049
Unrestricted Investment Income	—	—	—	—
Permanent Endowments Contributions	—	—	7,174	985
Special Item: Technology Finance Corporation Liquidation Transfers	—	—	—	—
Total General Revenues and Special Item	0	0	234,995	125,034
Change in Net Assets	6,588	11,071	95,798	19,196
Net Assets – Beginning	184,633	—	1,466,294	432,446
Adjustments to Beginning Net Assets:				
Fund Reclassified from Internal Service Funds	—	60,280	—	—
Other Adjustments	—	—	(16,784)	—
Net Assets – Beginning as Adjusted	184,633	60,280	1,449,510	432,446
Net Assets – Ending	$ 191,221	$ 71,351	$ 1,545,308	$ 451,642

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

Nonmajor Component Units	Total
$ 650,660	$ 3,122,646
188,163	376,309
(34,651)	(67,644)
89,656	1,642,689
133,532	629,774
14,669	54,851
391,369	2,635,979
(259,291)	(486,667)
258,939	610,809
709	709
5,358	13,517
(2,685)	(2,685)
262,321	622,350
3,030	135,683
874,188	2,957,561
—	60,280
—	(16,784)
874,188	3,001,057
$ 877,218	$ 3,136,740

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 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 Utah State Auditor's Office, 211 State Capitol, Salt Lake City, UT 84114.

Entities such as the local school districts and 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 are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are 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 and the Comprehensive Health Insurance Pool 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 other public entities within Utah. In prior years, the Program was reported as an internal service fund of the State. However, the Program was reevaluated and is now considered more appropriately reported as a discrete component unit. The Program is administered by the Utah State Retirement Board.

- 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.

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.

- Heber Valley Historic Railroad Authority — The Authority is an independent state agency which 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.

- Utah Science Center Authority — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities. The Authority currently functions as an advisory board to other organizations. It had expended its net assets as of June 30, 2003, and is not expected to have any financial activity in the future. Separate audited financial statements are not required or issued for the Authority.

- Utah Technology Finance Corporation — This independent corporation encouraged and assisted in the growth of technological and small businesses. The Corporation's enabling legislation was repealed and the Corporation transferred its remaining liquidation proceeds to the State before the Corporation's final dissolution on June 30, 2003.

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

Fiduciary Component Units

Utah Retirement Systems (pension trust funds) — Utah Retirement Systems administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. Utah Retirement Systems 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 are 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.

- **Uniform School Fund**. This special revenue fund accounts primarily for 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.

- **Centennial Highway Fund**. This special revenue fund was created by the Legislature to account for specific highway projects.

- **Trust Lands Fund**. This is a permanent fund that accounts for land grants and the sale of such 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 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 above. 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.

The proprietary funds follow all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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 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 information technology, fleet operations, risk management, copy and mail services, debt collection, and property 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 Trust Funds — These funds account for the transactions, assets, liabilities, and fund equity of the retirement systems and plans administered by Utah Retirement Systems.

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 Nation Trust, Unclaimed Property Trust, Employers' Reinsurance Trust, Petroleum Storage Tank Trust, and the Utah Education 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 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 Year Ends**

All funds and discretely presented component units are reported using fiscal years which end on June 30, except the pension trust funds (fiduciary funds) and the Utah Dairy Commission (a 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 and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Section 51–7 of the *Utah Code*. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Utah Housing Corporation and Public Employees Health Program (component units), and the Pension Trust Funds are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Funds are invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- 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, have 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 (pension trust funds) 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 (pension trust funds) held two types of derivative financial instruments at yearend: futures and currency forwards. 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 receivable for 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 the following which are recorded as expenditures when consumed: inventories for the Transportation Fund, and food stamps coupon inventories in the General Fund. 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.

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 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. 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 (roads and bridges) maintained by the State's Department of Transportation. Under this approach, depreciation expense is not recorded and only improvements which 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.

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

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, deferred 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 which 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.

Long-term Liabilities

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, 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. 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 to the federal government at least once every five years over 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, 2003, the total estimated arbitrage rebate liability in the Student Assistance Programs (enterprise fund) was $52.884 million, of which $48.413 million represents yield reduction payments and $4.471 million represents the estimated liabilities for non-purpose interest. Other arbitrage liabilities are immaterial.

Compensated Absences and Leave/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 40 days may be carried forward at the beginning of each calendar year. Unused vacation leave is paid to employees upon termination.

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 except employees eligible for retirement. Sick leave is expended when used. At retirement, for participating agencies, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. The employee may use any remaining sick leave balances to acquire health insurance to age 65, and since fiscal year 1999, health insurance for the employee's spouse until they reach age 65, and Medicare supplement insurance after age 65 for both the employee and their spouse. An estimate of the liability for the above leave and retirement benefits has been recorded in the governmental activities column of the government-wide Statement of Net Assets.

The State maintains compensated absences and postemployment benefit 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 and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools. Proprietary funds and private purpose trust funds of the primary government also participate in the pools and have no liability for leave or postemployment benefits once their contributions to the pools have been made.

The total liability of the governmental activities for vacation leave and postemployment benefits is recorded in the government-wide Statement of Net Assets. However, in accordance with GAAP, the liability is not recorded in the governmental funds financial statements. See Notes 10 and 18 for additional information about the liability.

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 postemployment benefits policies vary slightly among component units and from the primary government's policies. 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 other commodities, and food stamps. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2003, the State reported revenue and expenditures of $92.893 million for food assistance programs and $6.944 million for commodities in the General Fund, and $12.2 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 Tobacco 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 Tobacco 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 pension system and/or plan administered by Utah Retirement Systems. Contributions collected for the pension systems and plans and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security contributions in governmental fund types are reported as expenditures in the appropriate function. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

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

As discussed in Note 1.A, the Public Employees Health Program (PEHP) was reevaluated and is now reported as a discrete component unit. It was previously reported as an internal service fund. As a result of this change, a reclassification of $60.28 million was made to reduce beginning net assets of internal service funds and increase beginning net assets of component units. PEHP amounts included in the governmental activities on the prior year Statement of Net Assets and Statement of Activities included the following: $158.873 million total assets; $98.593 million total liabilities; $152.535 million total revenues; and, $139.482 million total expenses.

Adjustments to beginning net assets of governmental activities reported on the Statement of Net Assets resulted in a net increase of $117.753 million. The adjustments increased infrastructure and construction-in-progress capital assets for prior year payments that should have been capitalized rather than expensed. The adjustments also reduced the recorded amount of a building and made miscellaneous corrections to project costs included in construction-in-progress. Had these changes been made in the prior year, the effect on governmental activities on the prior year Statement of Activities would have been as follows: $131.615 million reduction in expenses, and $13.862 million reduction in beginning net assets. The effects of these adjustments on beginning amounts reported for each component of capital assets is described in Note 8. Also, the method of classifying the net asset balances on the government-wide Statement of Net Assets was adjusted to more accurately match assets with their associated debt. The impact of this classification change on prior year net assets of governmental activities would have been to increase unrestricted net assets and decrease invested in capital assets, net of related debt by $95.785 million.

An adjustment was made to reduce beginning net assets of the University of Utah (component unit) by $16.784 million for construction of a building that was determined not to be an asset of the University.

NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the cash and cash equivalents and investments on the June 30, 2003, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Section 51–7, Utah Code Annotated, 1953, as amended. Except certain repurchase agreements, all securities of the primary government purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

A. **Deposits**

At June 30, 2003, the carrying amount of the State's deposits for the primary government was $593.911 million and $109.141 million for the component units. At June 30, 2003, the bank balance was $75.067 million and $127.268 million for the primary government and component units, respectively. Of the bank balance for the primary government, $3.449 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, $3.572 million was covered by the FDIC or by collateral held by their agent in the name of the component unit. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for the deposit of public money at individual financial institutions.

B. **Investments**

Statutes authorize the State to invest in negotiable and non-negotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds and certain other funds and component units are not restricted by state statute.

The following table provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Credit and Market Risks of Investments – Primary Government
(Expressed in Thousands)

	Category 1	Category 2	Category 3	Fair Value
Repurchase Agreements	$ —	$ 183	$ 59,774	$ 59,957
U.S. Government Securities	495,294	4,132	—	499,426
Negotiable Certificates of Deposit	165,285	—	—	165,285
Commercial Paper	2,985	—	—	2,985
Corporate Bonds and Notes	7,541,538	—	—	7,541,538
Equity Securities	5,992,166	—	—	5,992,166
Total	$ 14,197,268	$ 4,315	$ 59,774	14,261,357
Mutual and Escrow Funds				2,231,451
Investment Contracts				57,035
Investment in U.S. Treasury Investment Pool				405,095
Component Units Investment in Primary Government's Investment Pool				(477,894)
Real Estate				467,429
Real Estate Mortgages				3,984
Real Estate Joint Ventures				657,747
Venture Capital				761,986
Investments Held by Broker-Dealers Under Securities Lending Program:				
U.S. Government Securities				473,739
Equity Securities				768,499
Corporate Bonds and Notes				138,925
Securities Lending Short-term Collateral Investment Pool				1,418,572
Total Investments				$ 21,167,925

The Pension Trust Funds own approximately 61 percent of the investments that are in Category 1.

Credit and Market Risks of Investments – Component Units
(Expressed in Thousands)

	Category 1	Category 2	Category 3	Fair Value
Repurchase Agreements	$ —	$ —	$ 20,226	$ 20,226
U.S. Government Securities	208,874	197,430	19,637	425,941
Negotiable Certificates of Deposit	1,765	—	—	1,765
Corporate Bonds and Notes	29,538	827	11,734	42,099
Equity Securities	20,729	12,891	13,829	47,449
Municipal and Public Utility Bonds	558	—	1,272	1,830
Total	$ 261,464	$ 211,148	$ 66,698	539,310
Mutual and Escrow Funds				602,360
Investment Contracts				349,430
Investment in Primary Government's Investment Pool				477,894
Real Estate				3,552
Investments Held by Broker-Dealers Under Securities Lending Program:				
Equity Securities				23,856
Securities Lending Short-term Collateral Investment Pool				17,523
Total Investments				$ 2,013,925

C. **Securities Lending**

The Utah Retirement Systems (pension trust funds) and the Public Employees Health Program (component unit) participate in security lending programs as authorized by their Boards. The types of securities lent are U.S. government securities, equity securities, and corporate bonds and notes. 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 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made. For both state entities, their custodial bank is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are classified in the following summary of custodial risk. Corresponding liabilities for collateral received are recorded at the fair value.

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 $1.381 billion and $23.856 million, respectively, and the collateral received for those securities on loan was $1.419 billion and $24.543 million, respectively, with carrying amount and fair value being the same. 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 (pension trust funds) invests in derivative financial investments as authorized by Board policy. The derivatives held by the Systems are reported at their fair values on the statement of net assets and are not subject to the disclosures now required by GASB Technical Bulletin No. 2003-1. As of yearend, the Systems had three types of derivative financial instruments: futures, currency forwards, and options.

Futures represent commitments to purchase (asset) or sell (liability) securities or money market instruments at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing the Systems' credit risk. The net change in the futures contract 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 Net Assets. At yearend the Systems' investments had the following futures balances (expressed in millions):

		Value Covered By Contract
Long-equity futures	$	91.832
Short-equity futures	$	(37.303)
Long-debt securities futures	$	148.482
Short-debt securities futures	$	(255.009)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rates 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 yearend the Systems' investments included the following currency forwards balances (expressed in millions):

Currency forwards (*pending foreign exchange purchases)*	$	547.130
Currency forwards (*pending foreign exchange sales)*	$	(544.384)

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specific period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the Systems 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, the Systems pay 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 yearend the Systems' investments had the following options balances (expressed in thousands):

		Value Covered By Contract
Cash and cash equivalent purchased put options	$	(486)
Cash and cash equivalent purchased call options	$	(665)
Fixed income written put options	$	(258)
Fixed income written call options	$	(2,245)

Utah Housing Corporation

The following are disclosures for derivative financial instruments held by Utah Housing Corporation (major component unit) as required by GASB Technical Bulletin No. 2003-1.

Objective — In order to protect against the potential of rising interest rates, the Corporation has entered into 34 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2003. 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 and credit ratings of the outstanding swaps as of June 30, 2003, are summarized below. The notional amounts of the swaps match 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
Terms, Fair Values, and Credit Risk
June 30 2003
(Expressed in Thousands)

Outstanding Notional Amount	Issue Dates	Fixed Rate Paid by the Corporation	Variable Rate Received from Counterparty	Fair Values	Swap Termination Dates
$ 106,350	2000–2002	4.640% to 7.760%	LIBOR* plus .15%	$ (15,800)	2006–2019
$ 252,780	2000–2003	3.939% to 5.610%	BMA** plus .27%	$ (40,798)	2018–2027

* London Interbank Offered Rate
** The Bond Market Association Municipal Swap Index

Fair Values — Because interest rates have declined, all swaps had a negative fair value to the Corporation as of June 30, 2003. The negative fair values are a function of declining interest rates and the remaining term on the swap contracts. Because the coupons on the Corporation's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. However, bond proceeds were used to acquire fixed rate mortgage loans, which support the fixed payer rate on the swaps. Although these mortgage loans do have higher than current market interest rates, they have not been adjusted for fair value on the financial statements.

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 — As of June 30, 2003, the Corporation was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the derivatives' fair value. The Corporation executes swap transactions with one counterparty, Lehman Brothers Financial Products, Inc. That Counterparty is rated AAA/Aaa.

Basis Risk — The Corporation's tax-exempt variable-rate bond coupon payments are equivalent to the BMA rate. Its taxable variable-rate bond coupon payments are equivalent to the LIBOR rate. The Corporation is therefore not exposed to basis risk except as disclosed below under the tax risk.

Tax Risk — Nineteen of the Corporation's BMA based swaps are exposed to basis risk should Congress or other federal branches of government propose or pass legislation (a "Tax Event"), that causes the relationship between LIBOR and BMA to exceed 75 percent for a continuous period of 180 days. If these two triggers occur, the result would be that the swap provider would pay the Corporation 68 percent of the LIBOR rate regardless of what the BMA rate is. As of June 30, 2003, no "Tax Event" has occurred.

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.

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, 2003, the Corporation's swap termination dates ranged from 7 to 24 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. The PTIF is authorized and regulated by the Money Management Act, Section 51–7, *Utah Code Annotated, 1953,* as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little 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 for the fiscal year ended June 30, 2003, are as follows:

(Table presented on next page)

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2003
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 277,272
Investments	5,493,890
Interest Receivable	13,974
Net Assets	$ 5,785,136
Net Assets Consist of:	
External Participant Account Balances	$ 3,920,264
Internal Participant Account Balances:	
Primary Government	1,359,091
Component Units	477,894
Undistributed Reserves and Unrealized Gains/Losses	27,887
Net Assets	$ 5,785,136
Participant Account Balance Net Asset Valuation Factor	1.001434

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2003
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 8,204,151
Investment Income:	
Investment Earnings	110,559
Fair Value Increases (Decreases)	22,628
Total Investment Income	133,187
Less Administrative Expenses	(131)
Net Investment Income	133,056
Total Additions	8,337,207
Deductions	
Pool Participant Withdrawals	7,687,765
Earnings Distributions	108,155
Total Deductions	7,795,920
Net Increase From Operations	541,287
Net Assets	
Beginning of Year	5,243,849
Net Assets – End of Year	$ 5,785,136

Deposits and Investments

The following disclosure of deposits and investments is for the Public Treasurer's Investment Fund, which includes external and internal participants. These assets are also included in Note 3, disclosure of deposits and investments for the state entity as a whole. Information on the type of deposits and investments and how they are held is disclosed in Note 3. At June 30, 2003, the PTIF investments included certificates of deposit of $34.5 million that qualify as deposits. Of this amount, $300 thousand was covered by the Federal Deposit Insurance Corporation (FDIC) and $34.2 million was uninsured and uncollateralized and was held by various financial institutions. The following schedule provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

Public Treasurer's Investment Fund
Credit and Market Risks of Investments
June 30, 2003
(*Expressed in Thousands*)

	Category 1	Fair Value
Negotiable CDs	$ 165,180	$ 165,180
Money Market Funds	270,000	270,000
U.S. Government Securities	479,951	479,951
Corporate Bonds and Notes	4,821,531	4,821,531
Total Investments	$ 5,736,662	$ 5,736,662

Public Treasurer's Investment Fund
Portfolio Statistics

June 30, 2003

	Range of Yields	Weighted Average Maturity
Money Market Funds	1.05% – 1.25%	1 day
Certificates of Deposit	1.35% – 2.00%	26.8 days
U.S. Government Securities	1.00% – 2.50%	63.57 days
Corporate Bonds and Notes	1.06% – 4.05 %	47.78 days

June 30, 2003

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	1.63%	46.17 days

NOTE 5. RECEIVABLES

Receivables as of June 30, 2003, consisted of the following (in thousands):

	Accounts Receivable					
	Federal	**Customer**	**Other**	**Interest**	**Taxes**	**Notes/ Mortgages**
Governmental Activities:						
General Fund	$ 296,280	$ 187,595	$ 17,061	$ 49	$ 226,712	$ 6,064
Uniform School Fund	41,303	—	304	—	355,260	6,624
Transportation Fund	53,065	73	5,514	—	54,435	615
Centennial Highway Fund	24,997	—	—	—	659	—
Trust Lands	—	—	14,164	1,031	—	6,009
Nonmajor Funds	—	29,135	—	62	—	155
Internal Service Funds	—	2,862	—	—	—	—
Adjustments:						
Fiduciary Funds	—	—	6,981	—	—	—
Total Receivables	415,645	219,665	44,024	1,142	637,066	19,467
Less Allowance for Uncollectibles:						
General Fund	—	(56,511)	—	—	(14,810)	(1,161)
Uniform School Fund	—	—	—	—	(96,626)	—
Transportation Fund	—	—	(200)	—	(910)	—
Centennial Highway Fund	—	—	—	—	(50)	—
Internal Service Funds	—	(132)	—	—	—	—
Receivables, net	$ 415,645	$ 163,022	$ 43,824	$ 1,142	$ 524,670	$ 18,306
Current Receivables	$ 415,645	$ 111,525	$ 31,377	$ 1,142	$ 482,152	$ 1,933
Noncurrent Receivables	—	51,497	12,447	—	42,518	16,373
Total Receivables (net)	$ 415,645	$ 163,022	$ 43,824	$ 1,142	$ 524,670	$ 18,306
Business-type Activities:						
Student Assistance Programs	$ 7,589	$ 600	$ —	$ 17,356	$ —	$ 1,129,174
Unemployment Compensation	1,644	47,385	—	—	—	—
Water Loan Programs	226	—	—	7,823	578	431,673
Nonmajor Funds	—	7,610	842	2,822	—	241,836
Total Receivables	9,459	55,595	842	28,001	578	1,802,683
Less Allowance for Uncollectibles:						
Student Assistance Programs	—	—	—	—	—	(4,492)
Unemployment Compensation	—	(11,332)	—	—	—	—
Water Loan Programs	—	—	—	—	(26)	—
Receivables, net	$ 9,459	$ 44,263	$ 842	$ 28,001	$ 552	$ 1,798,191

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 which were reclassified as external receivables on the government-wide Statement of Net Assets.

Aggregated receivables for component units at June 30, 2003, were $1.134 billion for major component units and $45.675 million for nonmajor component units, net of an allowance for doubtful accounts of $39.888 million and $2.378 million, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2003, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds	Interest	Total
Governmental Activities:							
General Fund	$ 55,383	$ 129,704	$ 31,814	$ 82,327	$ 4,863	$ —	$ 304,091
Uniform School Fund	2,634	1,825	3,789	33,168	37,126	—	78,542
Transportation Fund	6,775	211	55,731	38,668	572	—	101,957
Centennial Highway Fund	—	—	68	—	—	—	68
Nonmajor Funds	28	—	21,628	283	—	30,925	52,864
Internal Service Funds	2,012	—	7,858	—	—	6	9,876
Adjustments:							
Fiduciary Funds	—	—	—	462	—	—	462
Other	—	—	—	—	—	1,598	1,598
Total Governmental Activities	$ 66,832	$ 131,740	$ 120,888	$ 154,908	$ 42,561	$ 32,529	$ 549,458
Business-type Activities:							
Student Assistance Programs	$ 1,391	$ —	$ 6,357	$ 1,982	$ —	$ 3,903	$ 13,633
Unemployment Compensation	—	477	281	—	—	—	758
Water Loan Programs	—	—	415	—	—	20	435
Nonmajor Funds	1,091	—	10,087	56	—	136	11,370
Adjustments:							
Fiduciary Funds	—	—	—	76	—	—	76
Other	—	—	—	—	—	(1,116)	(1,116)
Total Business-type Activities	$ 2,482	$ 477	$ 17,140	$ 2,114	$ 0	$ 2,943	$ 25,156

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 which 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.

NOTE 7. INTERFUND BALANCES AND LOANS

Interfund Balances

Interfund balances at June 30, 2003, consisted of the following (in thousands):

Due to General Fund from:	
Uniform School Fund	$ 1,672
Transportation Fund	1,075
Trust Lands Fund	44
Nonmajor Governmental Funds	609
Unemployment Compensation Fund	1,992
Water Loan Programs	52
Nonmajor Enterprise Funds	8,887
Internal Service Funds	1,320
Fiduciary Funds	6,920
Total due to General Fund from other funds	$ 22,571
Due to Uniform School Fund from:	
General Fund	805
Trust Lands Fund	5
Unemployment Compensation Fund	752
Nonmajor Enterprise Funds	1,176
Internal Service Funds	159
Total due to Uniform School Fund from other funds	$ 2,897
Due to Transportation Fund from:	
General Fund	252
Uniform School Fund	2
Centennial Highway Fund	17,607
Nonmajor Governmental Funds	137
Nonmajor Enterprise Funds	2
Internal Service Funds	3,839
Total due to Transportation Fund from other funds	$ 21,839
Due to Centennial Highway Fund from Transportation Fund	$ 42
Due to Trust Lands Fund from Nonmajor Enterprise Funds	$ 3,796
Due to Nonmajor Governmental Funds from:	
General Fund	3,455
Uniform School Fund	10
Nonmajor Governmental Funds	22
Nonmajor Enterprise Funds	68
Internal Service Funds	569
Fiduciary Funds	59
Total due to Nonmajor Governmental Funds from other funds	$ 4,183
Due to Water Loan Programs from:	
General Fund	120
Trust Lands Fund	19
Nonmajor Governmental Funds	3
Nonmajor Enterprise Funds	17
Total due to Water Loan Programs from other funds	$ 159
Due to Nonmajor Enterprise Funds from:	
General Fund	663
Uniform School Fund	4
Transportation Fund	100
Trust Lands Fund	57
Nonmajor Governmental Funds	1,630
Total due to Nonmajor Enterprise Funds from other funds	$ 2,454
Due to Internal Service Funds from:	
General Fund	8,367
Uniform School Fund	314
Transportation Fund	2,202
Nonmajor Governmental Funds	673
Nonmajor Enterprise Funds	114
Internal Service Funds	137
Fiduciary Funds	2
Total due to Internal Service Funds from other funds	$ 11,809
Due to Fiduciary Funds from:	
General Fund	335
Transportation Fund	13
Trust Lands Fund	35
Nonmajor Governmental Funds	59
Water Loan Programs	20
Nonmajor Enterprise Funds	56
Internal Service Funds	20
Total due to Fiduciary Funds from other funds	$ 538
Total Due to/Due froms	$ 70,288

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, 2003, consisted of the following (in thousands):

Payable to General Fund from Internal Service Funds	$ 43,546
Payable to Internal Service Funds from Centennial Highway Fund	2,478
Payable to Nonmajor Enterprise Funds from Internal Service Funds	80
Total Interfund Loans Receivable/Payable	$ 46,104

The interfund loans receivable/payable balances consist of revolving loans with Internal Service Funds. The balance of $46.104 million includes $25.340 million which is not expected to be repaid within one year.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Related Assets	$ 607,265	$ 65,007	$ (465)	$ 671,807
Infrastructure	7,355,261	158,537	(643)	7,513,155
Construction-In-Progress	381,843	373,157	(207,514)	547,486
Total Capital Assets not being Depreciated	8,344,369	596,701	(208,622)	8,732,448
Capital Assets being Depreciated:				
Buildings and Improvements	895,211	28,875	(5,747)	918,339
Infrastructure	11,568	1,566	—	13,134
Machinery and Equipment	430,533	40,519	(43,766)	427,286
Total Capital Assets being Depreciated	1,337,312	70,960	(49,513)	1,358,759
Less Accumulated Depreciation for:				
Buildings and Improvements	(276,282)	(25,320)	4,839	(296,763)
Infrastructure	(3,365)	(491)	—	(3,856)
Machinery and Equipment	(264,666)	(46,960)	35,456	(276,170)
Total Accumulated Depreciation	(544,313)	(72,771)	40,295	(576,789)
Total Capital Assets being Depreciated, Net	792,999	(1,811)	(9,218)	781,970
Capital Assets, Net	$ 9,137,368	$ 594,890	$(217,840)	$ 9,514,418
Business-type Activities:				
Capital Assets not being Depreciated:				
Land and Related Assets	$ 12,195	$ 3,123	$ (981)	$ 14,337
Construction-In-Progress	1,153	129	(787)	495
Total Capital Assets not being Depreciated	13,348	3,252	(1,768)	14,832
Capital Assets being Depreciated:				
Buildings and Improvements	30,583	9,886	(361)	40,108
Machinery and Equipment	10,984	336	(181)	11,139
Total Capital Assets being Depreciated	41,567	10,222	(542)	51,247
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,894)	(790)	16	(5,668)
Machinery and Equipment	(7,948)	(1,405)	162	(9,191)
Total Accumulated Depreciation	(12,842)	(2,195)	178	(14,859)
Total Capital Assets being Depreciated, Net	28,725	8,027	(364)	36,388
Capital Assets, Net	$ 42,073	$ 11,279	$ (2,132)	$ 51,220

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 2003, $15.207 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.

In the beginning balance column above, machinery and equipment of the governmental activities was reduced by $3.639 million and the related accumulated depreciation was reduced by $2.089 million from the amounts reported in the prior year. These adjustments were due to the Public Employees Health Program being reclassified from an internal service fund to a discrete component unit as described in Note 1 A. Also, amounts in the beginning balances column above have been adjusted by a net $117.753 million as follows: infrastructure was increased by $9.005 million; construction-in-progress was increased by $121.932 million; and buildings and improvements were reduced by $20.314 million and the related accumulated depreciation was reduced by $7.13 million. These adjustments corrected beginning balances as described in Note 2.

Depreciation expense of governmental activities was charged to functions as follows (in thousands):

General Government	$ 7,646
Human Services and Youth Corrections	6,017
Corrections, Adult	5,257
Public Safety	2,826
Courts	4,603
Health and Environmental Quality	2,031
Employment and Family Services	2,002
Natural Resources	5,041
Community and Economic Development	482
Business, Labor, and Agriculture	1,162
Public Education	948
Transportation	12,557
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of services provided	22,199
Total	$ 72,771

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 Related Assets	$ 250	$ —	$ 45,969	$ 10,516	$ 45,960	$ 102,695
Construction-In-Progress	—	—	68,513	32,112	8,603	109,228
Total Capital Assets not being Depreciated	250	0	114,482	42,628	54,563	211,923
Capital Assets being Depreciated:						
Building and Improvements	1,307	—	1,030,348	374,511	820,110	2,226,276
Infrastructure	—	—	107,613	—	22,159	129,772
Machinery and Equipment	1,070	3,861	558,426	138,854	150,135	852,346
Total Capital Assets being Depreciated	2,377	3,861	1,696,387	513,365	992,404	3,208,394
Less Total Accumulated Depreciation	(1,442)	(2,502)	(786,371)	(225,658)	(369,262)	(1,385,235)
Total Capital Assets being Depreciated, Net	935	1,359	910,016	287,707	623,142	1,823,159
Discretely Presented Component Units – Capital Assets, Net	$ 1,185	$ 1,359	$ 1,024,498	$ 330,335	$ 677,705	$ 2,035,082

The State had long-term construction project commitments totaling $119.097 million at June 30, 2003. 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
02029	USU Merrill Library	$ 22,208
01074	New Legislative Buildings	18,492
01020	Four Campus Classrooms	11,146
02156	State Capitol Parking Structure	9,306
00018	Dixie College – Eccles Fine Arts Center	7,883
01312	SUU – New Student Housing	7,663
02015	Washington County Youth Corrections Facility	5,622
99219	USU Edith Bowen School Renovation	3,372
02042	U of U – Health Sciences Education Building	2,629
00253	Snow College – Performing Arts Building	2,281
01009	U of U – Moran Eye Center Phase II	2,146
02149	WSU – Lampros Hall Renovation	1,909
02032	U of U – Marriott Library Renovation	1,682
97097	State Capitol Remodel Planning/Design	1,484
00269	UVSC – Wasatch Campus Building	1,469
98239	State Hospital – Rampton Bldg Phase II	1,376
—	All Others	18,429
	Total Commitments	$ 119,097

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 $2.18 million in principal and $1.102 million in interest for fiscal year 2003. The historical cost and accumulated depreciation of the primary government's assets acquired through capital leases were $21.125 million and $6.142 million, respectively, as of June 30, 2003.

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 2003 were $26.473 million for the primary government and $16.532 million for component units. For fiscal year 2002, the operating lease expenditures were $31.163 million for the primary government and $17.609 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2003, 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**
2004	$ 19,540	$ 15,427	$ 34,967	$ 2,075	$ 16,536	$ 18,611
2005	15,342	13,844	29,186	2,082	12,168	14,250
2006	12,349	12,124	24,473	2,078	8,868	10,946
2007	7,805	19,227	27,032	1,996	6,393	8,389
2008	4,050	8,948	12,998	1,927	5,082	7,009
2009–2013	9,886	22,896	32,782	5,217	43,473	48,690
2014–2018	6,318	380	6,698	2,029	580	2,609
2019–2023	2,595	206	2,801	940	—	940
2024–2028	110	137	247	423	—	423
2029–2033	—	28	28	—	—	—
Total Future Minimum Lease Payments	$ 77,995	$ 93,217	$ 171,212	18,767	93,100	111,867
Less Amounts Representing Interest				(5,921)	(18,857)	(24,778)
Present Value of Future Minimum Lease Payments				$ 12,846	$ 74,243	$ 87,089

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2003, are presented in the following schedule. 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	$ 1,474,400	$ 660,505	$ (511,225)	$ 1,623,680	$ 111,810
State Building Ownership Authority Lease Revenue Bonds	342,378	1,302	(12,143)	331,537	12,728
Net Unamortized Premiums/(Discounts)	27,642	87,756	(7,963)	107,435	—
Deferred Amount on Refunding	—	(15,828)	1,790	(14,038)	—
Capital Leases (Note 9)	15,026	—	(2,180)	12,846	1,072
Compensated Absences (Notes 1 and 18)	135,541	52,069	(52,864)	134,746	58,503
Postemployment Benefits (Note 18)	213,633	15,410	(12,601)	216,442	12,615
Claims (Note 19)	46,814	5,674	(8,829)	43,659	10,860
Arbitrage Liability (Note 1)	99	4	—	103	—
Total Governmental Long-term Liabilities	$ 2,255,533	$ 806,892	$ (606,015)	$ 2,456,410	$ 207,588
Business-type Activities					
Revenue Bonds	$ 1,231,460	$ 119,750	$ (37,605)	$ 1,313,605	$ 6,158
State Building Ownership Authority Lease Revenue Bonds	22,858	—	(517)	22,341	917
Net Unamortized Premiums/(Discounts)	269	—	(4)	265	—
Capital Leases (Note 9)	96	—	(96)	—	—
Arbitrage Liability (Note 1)	36,830	16,066	(12)	52,884	1,116
Total Business-type Long-term Liabilities	$ 1,291,513	$ 135,816	$ (38,234)	$ 1,389,095	$ 8,191
Component Units					
Revenue Bonds	$ 1,574,607	$ 352,540	$ (273,565)	$ 1,653,582	$ 257,769
Net Unamortized Premiums/(Discounts)	92	310	(3)	399	—
Capital Leases/Contracts Payable (Notes 9 and 10)	80,920	10,514	(13,645)	77,789	12,984
Notes Payable	25,543	14,923	(7,449)	33,017	3,983
Claims (Note 19)	79,895	341,365	(341,006)	80,254	40,604
Leave/Postemployment Benefits (Notes 1 and 18)	66,722	18,733	(17,587)	67,868	17,933
Total Component Unit Long-term Liabilities	$ 1,827,779	$ 738,385	$ (653,255)	$ 1,912,909	$ 333,273

Compensated absences and postemployment benefits liabilities 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.

In the beginning balances column above, claims liabilities of the governmental activities was reduced by $79.895 million and claims liabilities of component units was increased by $79.895 million from the amounts reported in the prior year. These adjustments were due to the Public Employees Health Program being reclassified from an internal service fund to a discrete component unit as described in Note 1.A.

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, 2003, the State had $28.6 million and $32.4 million of authorized but unissued general obligation building and highway bond authorizations remaining, respectively.

During fiscal year 2003 the State issued $253.1 million Series 2002 B general obligation refunding bonds. The proceeds were used to advance refund portions of the 1997 E, 1997 F, and 1998A general obligation bonds. The State also issued $407.4 million Series 2003 A general obligation bonds. The proceeds were used to refund $150 million of variable rate bonds, provide funds for certain highway projects, and various other construction projects.

General obligation bonds payable consist of the following:

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2003
1997 A–E Highway/Capital Facility Issue	07/01/97	2001–2007	4.80% to 5.50%	$ 200,000	$ 80,375
1997 F Highway Issue	08/01/97	2001–2007	5.00% to 5.50%	$ 205,000	78,375
1998 A Highway/Capital Facility Issue	07/07/98	2001–2008	5.00%	$ 265,000	122,225
1999 E Capital Facility Issue	07/01/99	2004	4.50%	$ 38,000	38,000
2001 A Capital Facility Issue	01/24/01	2004	4.00%	$ 15,000	15,000
2001 B Highway/Capital Facility Issue	07/02/01	2004–2014	4.50%	$ 348,000	348,000
2002 A Highway/Capital Facility Issue	06/27/02	2003–2015	3.00% to 5.25%	$ 281,200	281,200
2002 B Refunding Issue	07/31/02	2004–2012	3.00% to 5.38%	$ 253,100	253,100
2003 A Highway/Capital Facility Issue	06/26/03	2005–2016	2.00% to 5.00%	$ 407,405	407,405
Total General Obligation Bonds Outstanding					1,623,680
Plus Unamortized Bond Premium					104,113
Less Deferred Amount on Refunding					(14,038)
Total General Obligation Bonds Payable					$ 1,713,755

General Obligation Bond Issues
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal: 1997 A–E Highway/ Capital Facility	1997 F Highway Bonds	1998 A Highway/ Capital Facility	1999 E Capital Facility	2001 A Capital Facility	2001 B Highway/ Capital Facility
2004	$ 45,425	$ 14,075	$ 38,150	$ —	$ —	$ —
2005	5,175	14,825	14,975	38,000	15,000	41,425
2006	9,350	15,625	15,850	—	—	34,900
2007	9,925	16,475	16,775	—	—	33,250
2008	10,500	17,375	17,750	—	—	34,650
2009–2013	—	—	18,725	—	—	165,700
2014–2018	—	—	—	—	—	38,075
Total	$ 80,375	$ 78,375	$ 122,225	$ 38,000	$ 15,000	$ 348,000

Continues Below

Fiscal Year	Principal: 2002 A Highway/ Capital Facility	2002 B Refunding Bonds	2003 A Highway/ Capital Facility	Total Principal Required	Interest Required	Total Amount Required
2004	$ 14,160	$ —	$ —	$ 111,810	$ 74,291	$ 186,101
2005	4,850	2,035	—	136,285	67,781	204,066
2006	45,740	205	1,095	122,765	61,729	184,494
2007	48,075	160	7,775	132,435	55,145	187,580
2008	50,575	120	12,825	143,795	47,991	191,786
2009–2013	23,600	250,580	238,125	696,730	135,914	832,644
2014–2018	94,200	—	147,585	279,860	20,013	299,873
Total	$ 281,200	$ 253,100	$ 407,405	$ 1,623,680	$ 462,864	$ 2,086,544

C. Revenue Bonds

Revenue bonds payable consist of those issued by the Utah State Building Ownership Authority, the Utah State Board of Regents Student Loan Purchase Program, the State's Water Loan Programs, the Utah Housing Corporation, and the 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. The bonds are secured by the facilities, and repayment is made from lease income. The outstanding bonds payable at June 30, 2003, are reported as a long-term liability of the governmental activities, except for $21.362 million and $1.19 million which are reported in Alcoholic Beverage Control Fund, and 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.

During fiscal year 2003, the average interest rate for the SBOA Series 2001 C variable rate bonds was 1.25 percent, there is no stated minimum rate, but the maximum rate is 12 percent. The rate on the bond is reset weekly by the remarketing agent and fluctuates with the general changes in interest rates and the demand for these particular securities. In the applicable debt service requirements to maturity schedule, the interest rate used to project debt service requirements was 1.05 percent, which was the rate in effect at yearend.

Business-type Activities

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund 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 have $240.555 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent. The Programs also have adjustable rate bonds which are set by an auction procedure every 28 days in the amount of $312.1 million and $657.35 million of bonds which are auctioned every 35 days.

The State's water loan programs have issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables.

Discrete Component Units

The Utah Housing Corporation bonds were issued to provide sources of capital for making housing loans to persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage payments.

The colleges and universities issue bonds for various purposes, including student housing, special events centers, and student union centers. The bonds are secured by the related assets, student building fees, and other income of certain college activities.

Revenue bonds payable consist of the following:

Revenue Bonds Payable – Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2003
Utah Housing Corporation Issues	1985–2003	2003–2045	1.5% to 10.55%	$ 2,438,147	$ 1,291,661
Colleges and Universities Revenue Bonds	1987–2003	2003–2031	variable and 1.9% to 8.49%	$ 476,925	361,921
Total Revenue Bonds Outstanding					1,653,582
Colleges and Universities Plus Unamortized Bond Premium					399
Total Revenue Bonds Payable					$ 1,653,981

Revenue Bonds Payable – Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2003
Governmental Activities					
SBOA Lease Revenue Bonds:					
Series 1992 A	07/15/92	1993–2011	5.30% to 5.75%	$ 26,200	$ 15,785
Series 1992 B	07/15/92	1994–2011	4.00% to 6.00%	$ 1,380	860
Series 1993 A	12/01/93	1995–2013	4.50% to 5.25%	$ 6,230	3,965
Series 1993 B	12/01/93	1995–2014	4.50% to 5.25%	$ 8,160	5,430
Series 1994 A	09/01/94	1995–2005	5.00% to 6.25%	$ 27,465	3,375
Series 1995 A	07/01/95	1996–2007	5.00% to 5.75%	$ 92,260	15,295
Series 1996 A	07/01/96	1997–2007	5.50% to 6.00%	$ 42,895	7,145
Series 1996 B	11/01/96	1999–2013	5.00% to 5.40%	$ 16,875	12,550
Series 1998 A	07/01/98	1999–2020	3.75% to 5.25%	$ 24,885	15,865
Series 1998 B Capital Appreciation	07/22/98	2005	4.65%	$ 23,091	28,978
Series 1998 C	08/15/98	2000–2019	3.80% to 5.50%	$ 101,557	101,374
Series 1999 A	08/01/99	2001–2021	5.25% to 5.50%	$ 6,960	6,555
Series 2001 A	11/21/01	2005–2021	4.00% to 5.00%	$ 69,850	69,850
Series 2001 B	11/21/01	2002–2024	3.00% to 5.75%	$ 14,240	14,210
Series 2001 C	11/21/01	2005–2021	variable	$ 30,300	30,300
Total Lease Revenue Bonds Outstanding					331,537
Plus Unamortized Bond Premium					3,322
Total Lease Revenue Bonds Payable					$ 334,859
Business-type Activities					
Student Assistance Programs:					
Series 1988 and 1993 Board of Regents Student Loan Indentures	1988–2003	1998–2041	Variable and 4.45% to 6.10%	$1,333,015	$ 1,303,135
Office Facility Bond Fund	02/01/02	2003–2022	3.50% to 5.13%	$ 8,095	7,830
Total Revenue Bonds Outstanding					1,310,965
Plus Unamortized Bond Premium					54
Total Revenue Bonds Payable					$ 1,311,019
Water Loan Programs:					
Series 1992 A Revolving Loan Recapitalization Program	04/15/92	1993–2004	4.00% to 6.60%	$ 5,065	$ 575
Series 1995 Water Refunding	10/04/95	1996–2005	5.13%	$ 8,430	2,065
Total Revenue Bonds Payable					$ 2,640
SBOA Lease Revenue Bonds:					
Series 1994 A	09/01/94	1995–2005	5.00% to 6.25%	$ 3,450	$ 325
Series 1995 A	07/01/95	1996–2007	5.00% to 5.70%	$ 740	140
Series 1996 A	07/01/96	1998–2007	5.50% to 6.00%	$ 1,830	310
Series 1997 A	12/01/97	1999–2018	4.60% to 5.13%	$ 4,150	3,510
Series 1998 A	07/01/98	1999–2020	3.75% to 5.25%	$ 825	700
Series 1998 C	08/15/98	2000–2019	3.80% to 5.50%	$ 3,543	3,536
Series 1999 A	08/01/99	2001–2020	5.25% to 5.50%	$ 2,495	2,280
Series 2001 B	11/21/01	2004–2023	3.25% to 5.25%	$ 11,540	11,540
Total Lease Revenue Bonds Outstanding					22,341
Plus Unamortized Bond Premium					211
Total Lease Revenue Bonds Payable					$ 22,552
Total Lease Revenue/ Revenue Bonds Payable					$ 1,336,211

Revenue Bond Issues – Primary Government
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal: Student Assistance Programs	1992 A Revolving Loan Recap Program	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority	1993 B Utah State Building Ownership Authority	1994 A Utah State Building Ownership Authority	1995 A Utah State Building Ownership Authority
2004	$ 4,575	$ 575	$ 1,380	$ 75	$ 315	$ 380	$ 1,805	$ 3,575
2005	8,275	—	1,460	80	330	395	1,895	3,760
2006	23,295	—	1,545	85	345	415	—	3,945
2007	5,530	—	1,640	90	360	440	—	4,155
2008	94,765	—	1,735	95	380	460	—	—
2009–2013	50,225	—	8,025	435	2,235	2,705	—	—
2014–2018	36,280	—	—	—	—	635	—	—
2019–2023	5,865	—	—	—	—	—	—	—
2024–2028	215,000	—	—	—	—	—	—	—
2029–2033	190,555	—	—	—	—	—	—	—
2034–2038	364,500	—	—	—	—	—	—	—
2039–2043	312,100	—	—	—	—	—	—	—
Total	$1,310,965	$ 575	$ 15,785	$ 860	$ 3,965	$ 5,430	$ 3,700	$ 15,435

Continues Below

Fiscal Year	Principal: 1995 Water Refunding	1996 A Utah State Building Ownership Authority	1996 B Utah State Building Ownership Authority	1997 A Utah State Building Ownership Authority	1998 A Utah State Building Ownership Authority	1998 B Utah State Building Ownership Authority	1998 C Utah State Building Ownership Authority	1999 A Utah State Building Ownership Authority
2004	$ 1,005	$ 1,720	$ 995	$ 160	$ 2,485	$ —	$ 50	$ 310
2005	1,060	1,820	1,040	170	2,615	28,978	55	330
2006	—	1,905	1,095	180	705	—	1,120	345
2007	—	2,010	1,150	190	735	—	1,170	365
2008	—	—	1,205	195	775	—	7,715	380
2009–2013	—	—	7,065	1,140	4,420	—	44,255	2,245
2014–2018	—	—	—	1,475	4,550	—	48,275	2,910
2019–2023	—	—	—	—	280	—	2,270	1,950
2024–2028	—	—	—	—	—	—	—	—
2029–2033	—	—	—	—	—	—	—	—
2034–2038	—	—	—	—	—	—	—	—
2039–2043	—	—	—	—	—	—	—	—
Total	$ 2,065	$ 7,455	$ 12,550	$ 3,510	$ 16,565	$ 28,978	$ 104,910	$ 8,835

Continues Below

Revenue Bond Issues – Primary Government (continued)
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal					
Fiscal Year	2001 A Utah State Building Ownership Authority	2001 B Utah State Building Ownership Authority	2001 C Utah State Building Ownership Authority	Total Principal Required	Interest Required	Total Amount Required
2004	$ —	$ 395	$ —	$ 19,800	$ 34,692	$ 54,492
2005	2,000	865	2,100	57,228	36,250	93,478
2006	3,175	895	1,100	40,150	32,330	72,480
2007	3,125	935	1,300	23,195	30,195	53,390
2008	3,250	965	1,400	113,320	28,621	141,941
2009–2013	18,300	5,460	8,100	154,610	116,257	270,867
2014–2018	23,150	6,705	9,700	133,680	86,312	219,992
2019–2023	16,850	8,485	6,600	42,300	65,776	108,076
2024–2028	—	1,045	—	216,045	56,809	272,854
2029–2033	—	—	—	190,555	48,421	238,976
2034–2038	—	—	—	364,500	29,718	394,218
2039–2043	—	—	—	312,100	7,622	319,722
Total	$ 69,850	$ 25,750	$ 30,300	$ 1,667,483	$ 573,003	$ 2,240,486

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
2004	$ 243,280	$ 8,009	$ 2,080	$ 4,400	$ 257,769	$ 73,838	$ 331,607
2005	23,278	8,659	2,926	4,660	39,523	72,959	112,482
2006	28,930	9,289	3,069	4,910	46,198	70,909	117,107
2007	31,566	9,855	2,750	4,370	48,541	68,660	117,201
2008	33,565	9,975	2,858	4,625	51,023	66,258	117,281
2009–2013	155,717	56,394	16,298	22,375	250,784	292,493	543,277
2014–2018	142,194	50,452	14,493	14,570	221,709	231,607	453,316
2019–2023	175,203	44,661	91	11,120	231,075	170,653	401,728
2024–2028	212,799	35,484	—	3,050	251,333	105,759	357,092
2029–2033	184,857	8,258	—	2,240	195,355	41,460	236,815
2034–2038	39,407	—	—	—	39,407	9,916	49,323
2039–2043	16,675	—	—	—	16,675	3,734	20,409
2044–2048	4,190	—	—	—	4,190	232	4,422
Total	$ 1,291,661	$ 241,036	$ 44,565	$ 76,320	$ 1,653,582	$ 1,208,478	$ 2,862,060

D. **Conduit Debt Obligations**

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park 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. At June 30, 2003, $7.4 million of Variable Rate Demand Industrial Development Bonds are outstanding.

E. **Demand Bonds**

The State Building Ownership Authority issued $30.3 million Series 2001 C variable rate demand lease revenue bonds. The bonds are subject to purchase upon not less than seven days notice of tender from the bondholder or in case the bonds cannot be remarketed. The remarketing agent is paid a fee of 5 basis points of the bonds outstanding on a quarterly basis.

In the case that the bonds cannot be remarketed, the SBOA has an irrevocable direct-pay letter of credit with Landesbank Hessen-Thuringen Girozentrale (Helaba) acting through its New York Branch in the amount of $30.828 million, which is an amount sufficient to pay principal and 53 days of accrued interest at 12 percent. In consideration for the letter of credit, Helaba receives a fee of 17.5 basis points paid on a quarterly basis. The letter of credit expires on November 21, 2004, and as of June 30, 2003, the SBOA has not had to draw any funds for bondholder tenders or a failed remarketing.

The letter of credit also has a takeout provision for bonds that allows the SBOA to pay the bonds that Helaba holds (bank bonds) over a five-year period in approximately equal payments. The rate in effect for bank bonds for the first 90 days is the base rate, which is the higher of the Federal Funds rate plus 50 basis points or the Prime Rate, up to a maximum of 12 percent per annum. The interest rate for bank bonds held longer than 90 days is the base rate plus 2 percent. If the takeout provision were in effect and assuming all the bonds were not remarketed, the SBOA would pay debt service of $8.406 million a year for five years, based on the maximum rate.

The Student Loan Purchase Program had $240.555 million of demand bonds outstanding at June 30, 2003, 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.

An unused irrevocable direct-pay letter of credit expiring November 15, 2004, in the amount of $37.462 million supports the Series 1993 A bonds of $35 million. Standby bond purchase agreements of $110.677 million expiring November 15, 2005 support the Series 1988 C and 1995 L bonds of $104.5 million, and $108.42 million expiring May 16, 2005, support the Series 1996 Q and 1997 R bonds of $101.055 million. As of June 30, 2003, the Board had not drawn any funds under the standby bond purchase agreements or the letter of credit.

The University of Utah (component unit) Series 1997 A bonds in the amount of $16.39 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the Series 1997 A 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. The interest requirement for the Series 1997 A Bonds is calculated using an interest rate of 1.05 percent, which is the rate in effect of June 30, 2003.

In the event the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable letter of credit to pay the purchase price plus accrued interest on the bonds delivered to it. The letter of credit with the Bank of Nova Scotia is valid through July 30, 2005. As of June 30, 2003, the University had not drawn any funds under the letter of credit.

F. **Capital Appreciation Bonds**

On August 15, 1998, the Utah State Building Ownership Authority issued $23.091 million of 1998 Series B Capital Appreciation lease revenue bonds. The interest on the bonds is accreted and added to the bonds payable. The accretion for the year ended June 30, 2003, was $1.302 million, and at June 30, 2003, the total capital appreciation bonds payable including accreted interest was $28.978 million.

G. **Defeased Bonds and Bond Refunding**

The State issued on July 31, 2002, $253.1 million General Obligation Refunding Bonds Series 2002 B to advance refund $77.675, $100.675, and $85.325 million of Series 1997 E, 1997 F, and 1998 A General Obligation Bonds, respectively. The principal amount of the refunding bonds, $26.269 million of original issue premium, and $513 thousand of other monies were paid to an escrow agent to be placed in an irrevocable trust account to provide for the debt service payments on the refunded 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, 2003, $263.675 million of general obligation bonds outstanding are considered defeased. The State did not have any prior defeased general obligation bonds outstanding.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $15.828 million. This difference, reported in the Statement of Net Assets as a deduction from bonds payable, is being charged to operations through fiscal year 2012, using the bonds outstanding method, which approximates the effective interest method. The refunding reduced the State's aggregate debt service payments by $5.965 million over ten years and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $5.745 million.

The State issued on June 26, 2003, $407.405 million General Obligation Bond Series 2003 A and used $150 million of the proceeds to currently refund $150 million of its remaining Series 1999 A & C Variable Rate General Obligation Bonds to lock in a fixed long-term rate. The variable rate bonds had no minimum interest rate, but had a maximum interest rate of 10 percent; the refunding bonds have an effective interest rate of 2.76 percent. Because the refunded debt had a variable rate, no attempt has been made to calculate the cash flow savings or economic savings related to this transaction.

On September 24, 2002, the Student Loan Purchase Program issued the Series 2002 X student loan revenue bonds at par to refund $3.25 million of Series 1993 B bearing interest at 5.25 percent and maturing on November 1, 2002 and $32.595 million of Series 1992 H bearing interest rates of 6.10 percent to 6.70 percent, and maturing between November 1, 2002 and November 1, 2015. The program paid a $558 thousand premium to call the 1992 H bonds maturing on or after November 1, 2003. All of the bonds were paid or redeemed on November 1, 2002. Because the variable rate refunding issue has no stated minimum or maximum interest rate, no attempt has been made to disclose cash flow savings or economic gain. Due to the risk that variable interest may rise, there is no guarantee that the Student Loan Purchase Program will achieve an economic gain on this transaction. The Student Loan Purchase Program did not have any defeased bonds outstanding prior to the current year refunding.

In prior years, the State defeased certain 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, 2003, $105.615 million revenue bonds outstanding are considered defeased.

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, 2003, $34.467 million of college and university bonds outstanding and $6.25 million Utah Housing Corporation bonds outstanding are considered defeased.

H. Contracts Payable

Component unit capital leases/contracts payable include $3.581 million in life annuity contracts.

I. Notes Payable

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 30 years. They are secured by the related assets.

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
2004	$ 458	$ 2,140	$ 1,385	$ 3,983	$ 1,296	$ 5,279
2005	478	706	514	1,698	1,495	3,193
2006	419	748	432	1,599	1,440	3,039
2007	357	735	427	1,519	1,359	2,878
2008	388	761	908	2,057	1,468	3,525
2009–2013	2,503	3,461	2,539	8,503	5,123	13,626
2014–2018	3,796	2,207	1,309	7,312	2,988	10,300
2019–2023	2,285	3,003	678	5,966	785	6,751
2024–2028	—	—	360	360	45	405
2029–2033	—	—	20	20	—	20
Total	$ 10,684	$ 13,761	$ 8,572	$ 33,017	$ 15,999	$ 49,016

J. **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 pay-fixed, receive-variable interest rate swaps as of June 30, 2003. Using rates as of June 30, 2003, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are summarized below (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary. The principal, interest and net swap interest are included in the Component Unit debt service schedule presented on page 82 for Utah Housing Corporation.

Utah Housing Corporation
Swap Payments and Associated Debt
For Fiscal Years Ending June 30
(Expressed in Thousands)

Fiscal Year	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2004	$ 13,020	$ 3,893	$ 13,722	$ 30,635
2005	6,600	3,755	13,854	24,209
2006	6,430	3,685	13,569	23,684
2007	5,920	3,617	13,300	22,837
2008	5,520	3,555	13,057	22,132
2009–2013	21,890	16,951	62,074	100,915
2014–2018	23,560	15,852	57,629	97,041
2019–2033	50,285	14,081	50,549	114,915
2024–2028	88,830	10,568	37,087	136,485
2029–2033	124,990	4,811	15,408	145,209
2034–2035	12,695	153	266	13,114
Total	$ 359,740	$ 80,921	$ 290,515	$ 731,176

NOTE 11. 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, 2003, follows:

Reserved Fund Balances
(Expressed in Thousands)

	Nonlapsing Appropriations	Restricted Purposes	Total Reserved
General Fund:			
Legislature	$ 2,711	$ —	$ 2,711
Governor	4,660	1,750	6,410
Elected Officials	2,219	1	2,220
Administrative Services	2,695	81	2,776
Tax Commission	6,900	11,181	18,081
Human Services	5,122	5,982	11,104
Corrections	4,792	153	4,945
Public Safety	2,768	7,486	10,254
Courts	1,420	3,149	4,569
Health	3,820	5,757	9,577
Environmental Quality	1,731	1,592	3,323
Employment and Family Services	—	9,097	9,097
Natural Resources	17,151	16,698	33,849
Community and Economic Development	3,916	2,435	6,351
Business, Labor, and Agriculture	7,414	4,655	12,069
Industrial Assistance Account	—	23,611	23,611
Loans to Internal Service Funds	—	43,546	43,546
Tobacco Settlement Funds	—	11,232	11,232
Oil Overcharge Funds	—	7,806	7,806
Other Purposes	242	7,207	7,449
Total	$ 67,561	$ 163,419	$ 230,980
Uniform School Fund:			
Minimum School Program	$ 31,106	$ —	$ 31,106
State Office of Education	5,594	—	5,594
School Building Program	—	9,792	9,792
School Land Interest	—	8,458	8,458
Total	$ 36,700	$ 18,250	$ 54,950
Transportation Fund:			
Transportation	$ 2,449	$ —	$ 2,449
Public Safety	—	6,843	6,843
Corridor Preservation	—	14,596	14,596
Aeronautical Programs	—	6,291	6,291
Salt Lake County Road Construction	—	11,657	11,657
Salt Lake County Bond Proceeds	—	52,012	52,012
Total	$ 2,449	$ 91,399	$ 93,848
Centennial Highway Fund:			
Bond Proceeds	$ —	$ 109,266	$ 109,266
Trust Lands Fund:			
Funds Held as Permanent Investments	$ —	$ 404,991	$ 404,991
Other Governmental Funds:			
Capital Projects	$ 119,097	$ 53,216	$ 172,313
Debt Service	—	8,897	8,897
Tobacco Settlement Funds	—	12,177	12,177
Environmental Reclamation	—	17,280	17,280
Other Purposes	—	4,881	4,881
Total	$ 119,097	$ 96,451	$ 215,548

Designated Fund Balances
(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Designated for:					
Budgetary Reserve (Rainy Day) Account	$ 26,546	$ —	$ —	$ —	$ 26,546
Education Budget Reserve Account	—	601	—	—	601
Postemployment and Other Liabilities	108,380	150,990	40,429	—	299,799
Fiscal Year 2004 Appropriations:					
Line Item Appropriations	74	35,574	—	—	35,648
Federal Jobs and Growth Relief Funds	14,316	—	—	—	14,316
Industrial Assistance Account	5,169	—	—	—	5,169
Debt Service Requirements	1,531	—	—	—	1,531
Capital Projects	—	—	—	75,489	75,489
Debt Service	—	—	—	7,107	7,107
Total	$ 156,016	$ 187,165	$ 40,429	$ 82,596	$ 466,206

NOTE 12. DEFICIT NET ASSETS

Funds reporting a deficit total net assets position at June 30, 2003, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ 245,278
Petroleum Storage Tank	$ 58,229

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 workers' compensation insurance. 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.

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 by future revenues.

Funds/activities reporting a deficit position in the unrestricted portion of their net assets at June 30, 2003, are (in thousands):

Internal Service Funds:	
Information Technology	$ 1,228
General Services	$ 1,023
Fleet Operations	$ 28,622

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.

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, 2003, are as follows (in thousands):

Transfers In:	Governmental Funds					
Transfers Out:	**General Fund**	**Uniform School Fund**	**Transportation Fund**	**Centennial Highway Fund**	**Trust Lands Fund**	**Nonmajor Governmental Funds**
General Fund	$ —	$ 1,565	$ 19,412	$ 48,795	$ 10	$ 59,471
Uniform School Fund	17,584	—	—	—	—	16,367
Transportation Fund	31,483	—	—	75,853	—	147
Centennial Highway Fund	—	—	—	—	—	86,828
Nonmajor Governmental Funds	53,318	—	—	—	—	3,739
Unemployment Compensation	2,369	—	—	—	—	—
Water Loan Programs	2,808	—	—	—	—	—
Nonmajor Enterprise Funds	35,681	—	—	—	—	—
Internal Service Funds	3,304	—	—	—	—	—
Total Transfers In	$ 146,547	$ 1,565	$ 19,412	$ 124,648	$ 10	$ 166,552

Continues Below

	Enterprise Funds			
Transfers Out:	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers Out**
General Fund	$ 1,582	$ 15,039	$ 640	$ 146,514
Uniform School Fund	—	—	—	33,951
Transportation Fund	—	—	—	107,483
Centennial Highway Fund	—	—	—	86,828
Nonmajor Governmental Funds	—	—	—	57,057
Unemployment Compensation	—	—	—	2,369
Water Loan Programs	—	—	—	2,808
Nonmajor Enterprise Funds	—	—	—	35,681
Internal Service Funds	—	—	—	3,304
Total Transfers In	$ 1,582	$ 15,039	$ 640	$ 475,995

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 2003, the Legislature authorized the following transfers to subsidize lower than expected revenues:

- $44.435 million from the Tobacco Endowment Fund (nonmajor governmental fund) to the General Fund.
- $3.304 million from the internal service funds to the General Fund.

In addition, the Legislature authorized payments to certain component units of the State. These amounts are reported as expenditures in both the General Fund column of the Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental Funds 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:

- $607.55 million to the Colleges and Universities.
- $2.916 million to the Comprehensive Health Insurance Pool.
- $343 thousand to the Utah State Fairpark Corporation.

NOTE 14. SPECIAL ITEM

The Utah Technology Finance Corporation (nonmajor component unit) transferred $2.685 million to the State of Utah as part of the Corporation's liquidation proceedings.

NOTE 15. 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. If the State were ultimately held liable, the estimated liability could be up to approximately $50 million plus interest and attorneys' fees.

- A suit filed by the United Mine Workers of America claims the State Legislature wrongfully reallocated revenue generated from the *Utah Enabling Act's* Miners Hospital Grant lands to the University of Utah Medical Center. The plaintiffs seek a judgment requiring pay back of the diverted proceeds into a trust, and requiring the trust to be used only on a hospital for miners. If the State were ultimately held liable, the liability could range from $1 million to $35 million.

- A suit was filed by a landowner alleging breach of contract by the Utah State Armory Board and the Utah National Guard related to the sale of property. The plaintiff seeks damages of approximately $19 million plus attorneys' fees.

- There are currently three separate suits or claims pending seeking refunds of taxes paid. In the event of adverse rulings on all of these issues, including their certification as class-action suits, the State estimates the liability could be as much as $45 million.

- In addition to the items above, the State is contesting other legal actions totaling approximately $22 million plus attorneys' fees and interest in some cases.

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, identified questioned costs are immaterial. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2003, is in process and management expects proposed disallowances to be immaterial.

- 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 Utah Department of Transportation (UDOT) plans on seeking reimbursement from the Federal Highway Administration (FHWA) for approximately $20 million per year for fiscal years 2004 through 2007. The State received $18.539 million in fiscal year 2003. The related costs were incurred by the State as a result of the I-15 reconstruction project and were originally paid using state funds. UDOT has not recorded an accounts receivable for these future reimbursement requests because the requests are contingent upon sufficient future federal funds and federal obligation authority becoming available and future approval by the FHWA.

- The State is totally self-insured against liability claims and up to $2.5 million in property claims. According to an actuarial study and other known factors, $43.659 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the 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 $1.414 billion principal amount of Guarantied Bonds outstanding at June 30, 2003. 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 smaller manufacturers have joined the agreement. The State received $32.643 million from tobacco companies in fiscal year 2003 and expects to receive approximately $27.004 million in fiscal year 2004. Annual payments are expected to continue for the next seven years but 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, 2003, the Industrial Assistance Program of the General Fund had grant commitments of $11.7 million, contingent on participating companies meeting certain performance criteria.

- Utah Retirement Systems (pension trust funds) has at its yearend December 31, 2002, committed to fund certain alternative investment partnerships and real estate projects for an amount of $1.829 billion. Funding of $1.168 billion has been provided, leaving an unfunded commitment of $661 million as of December 31, 2002, which will be funded over the next six years.

- As of June 30, 2003, the Utah Housing Corporation (component unit) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of $12.727 million.

- At June 30, 2003, the enterprise funds had loan commitments of approximately $109.9 million and grant commitments of approximately $13.8 million.

- At June 30, 2003, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Programs, enterprise fund) had guaranteed student loans outstanding with an original principal amount of approximately $1.716 billion. Also, at June 30, 2003, the Student Assistance Programs had commitments to purchase approximately $365 million in student loans and provide approximately $10.9 million in reductions to borrower loan balances.

- At June 30, 2003, the Department of Transportation had construction and other contract commitments of $409.697 million, of which $244.902 million is for Centennial Highway Fund (special revenue fund) projects and $164.795 million is for Transportation Fund (special revenue fund) projects. These commitments will be funded with bonded debt and future appropriations.

NOTE 16. 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 receives federal funds as a subrecipient of grants awarded to the Department of Public Safety. 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 has $12.865 million of revenue bonds outstanding. 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 State Auditor's Office audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the State Auditor's Office.

NOTE 17. 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 administered by it. 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, 2002, financial report has been included in this Comprehensive Annual Financial Report as a pension trust fund for the Public Employees Retirement System (PERS) 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, 560 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, which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;

- The Public Safety Retirement System, which is a defined-benefit mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are defined-benefit single-employer public employee retirement systems; and
- The 401(k) and 457 Plans, which are deferred compensation plans.

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:

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 $1,080 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 $24.00 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 fire insurance taxes. Below is a summary of system participants.

Participants
December 31, 2002

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan
Number of participating:						
Employers	164	376	119	40	1	1
Members:						
Active	3,649	82,486	6,966	1,538	103	91
Terminated vested	1,511	20,632	987	55	8	87
Retirees and beneficiaries:						
Service benefits	7,249	20,666	2,678	815	77	231
Disability benefits	153	—	43	70	—	—

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 Pension 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:						
2003	$ 3,683	$ 60,033	$ 16,713	$ 47	$ 539	$ 81,015
2002	$ 5,777	$ 93,037	$ 25,921	$ 58	$ 928	$ 125,721
2001	$ 4,902	$ 78,752	$ 19,772	$ 56	$ 1,615	$ 105,097
2000	$ 4,943	$ 75,769	$ 19,717	$ 70	$ 1,572	$ 102,071
1999	$ 5,005	$ 72,361	$ 17,075	$ 67	$ 1,868	$ 96,376
Component Units:						
Colleges and Universities:						
2003	$ 1,840	$ 29,409	$ 375	$ —	$ —	$ 31,624
2002	$ 1,904	$ 28,028	$ 399	$ —	$ —	$ 30,331
2001	$ 2,398	$ 33,575	$ 442	$ —	$ —	$ 36,415
2000	$ 2,469	$ 32,839	$ 445	$ —	$ —	$ 35,753
1999	$ 2,457	$ 30,789	$ 356	$ —	$ —	$ 33,602
Other:						
2003	$ 44	$ 1,609	$ —	$ —	$ —	$ 1,653
2002	$ 43	$ 258	$ —	$ —	$ —	$ 301
2001	$ 50	$ 352	$ —	$ —	$ —	$ 402
2000	$ 143	$ 2,416	$ —	$ —	$ —	$ 2,559
1999	$ 134	$ 2,158	$ —	$ —	$ —	$ 2,292
Total Primary Government and Component Units:						
2003	$ 5,567	$ 91,051	$ 17,088	$ 47	$ 539	$ 114,292
2002	$ 7,724	$ 121,323	$ 26,320	$ 58	$ 928	$ 156,353
2001	$ 7,350	$ 112,679	$ 20,214	$ 56	$ 1,615	$ 141,914
2000	$ 7,555	$ 111,024	$ 20,162	$ 70	$ 1,572	$ 140,383
1999	$ 7,596	$ 105,308	$ 17,431	$ 67	$ 1,868	$ 132,270

The following schedule summarizes contribution rates in effect at December 31, 2002:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00%	4.68% – 5.91%	—
Noncontributory	—	8.69% – 10.40%	—
Public Safety:			
Contributory	10.50% – 13.74%	2.17% – 15.50%	—
Noncontributory	—	13.89% – 28.27%	—
Firefighters:			
Group A	7.82%	—	8.88%
Group B	7.83%	—	8.88%
Judges	4.92%	4.92%	18.40%
Governors and Legislative	—	—	—

401(k) and 457 Deferred Compensation Plans

The 401(k) Plan and 457 Plan administered by URS, in which the State participates, are deferred compensation plans. These plans are available as supplemental plans to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) and 457 Plans. Voluntary 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. There are 331 employers participating in the 401(k) Plan and 154 employers participating in the 457 Plan. There are 122,125 plan participants in the 401(k) Plan and 10,325 participants in the 457 Plan.

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 401(k) and 457 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) 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, 2003, by employees and employers are as follows: for Primary Government, $30.704 million and $9.783 million; for Component Units – Colleges and Universities, $3.229 million and $4.043 million; for Component Units – Other, $774 thousand and $472 thousand; and the combined total for all is $34.707 million and $14.298 million, 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 10 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 10 percent, approximately 4 percent are U.S. Government debt securities and 6 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 available for benefits. The principal components of the receivables and investment categories are presented below.

Pension Receivables and Investments
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan	401(k) Plan	457 Plan	Total December 31, 2002
Receivables:									
Member Contributions	$ 404	$ —	$ 170	$ 201	$ —	$ —	$ —	$ —	$ 775
Employer Contributions	367	17,544	1,603	1	310	—	—	—	19,825
Court Fees and Fire Insurance Premium	—	—	—	—	21	—	—	—	21
Investments	8,006	101,359	12,566	5,160	844	100	26,813	—	154,848
Total Receivables	$ 8,777	$ 118,903	$ 14,339	$ 5,362	$ 1,175	$ 100	$ 26,813	$ 0	$ 175,469
Investments:									
Debt Securities	$ 168,725	$ 2,136,006	$ 264,812	$ 108,759	$ 17,788	$ 2,106	$ 568,585	$ 71,544	$ 3,338,325
Equity Investments	399,834	5,061,783	627,543	257,733	42,155	4,992	682,792	78,152	7,154,984
Venture Capital	47,649	603,219	74,785	30,715	5,024	595	—	—	761,987
Real Estate	70,276	889,679	110,300	45,301	7,409	877	—	—	1,123,842
Mortgage Loans	249	3,154	392	161	26	3	—	—	3,985
Invested Securities Lending Collateral	85,494	1,082,326	134,183	55,110	9,014	1,067	45,934	5,444	1,418,572
Investment Contracts	—	—	—	—	—	—	35,115	21,920	57,035
Total Investments	$ 772,227	$ 9,776,167	$ 1,212,015	$ 497,779	$ 81,416	$ 9,640	$1,332,426	$ 177,060	$13,858,730

Actuarial Methods and Assumptions

The latest actuarial valuation and study was dated January 1, 2002. 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 that study conducted by Gabriel, Roeder, Smith & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year'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, closed period. An inflation rate of 3 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 is the Schedule of Funding Progress.

(Table presented on next page)

Schedules of Funding Progress
By Valuation Date
(Expressed in Thousands)

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Pension Plan
Actuarial Value of Assets:						
January 1, 2001	$ 924,573	$ 10,361,333	$ 1,286,996	$ 536,503	$ 87,139	$ 11,569
January 1, 2002	$ 927,523	$ 11,104,334	$ 1,376,466	$ 569,151	$ 92,649	$ 11,710
December 31, 2002	$ 859,358	$ 10,888,518	$ 1,349,458	$ 553,589	$ 90,904	$ 10,719
Actuarial Accrued Liability (AAL):						
January 1, 2001	$ 935,799	$ 9,933,514	$ 1,206,876	$ 455,456	$ 73,962	$ 7,908
January 1, 2002	$ 948,912	$ 10,806,024	$ 1,366,134	$ 491,274	$ 85,987	$ 8,182
December 31, 2002	$ 975,288	$ 11,628,203	$ 1,473,862	$ 530,155	$ 93,397	$ 8,108
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 2001	$ 11,226	$ (427,819)	$ (80,120)	$ (81,047)	$ (13,177)	$ (3,661)
January 1, 2002	$ 21,389	$ (298,310)	$ (10,332)	$ (77,877)	$ (6,662)	$ (3,528)
December 31, 2002	$ 115,930	$ 739,685	$ 124,404	$ (23,434)	$ 2,493	$ (2,611)
Funding Ratios:						
January 1, 2001	98.8%	104.3%	106.6%	117.8%	117.8%	146.3%
January 1, 2002	97.7%	102.8%	100.8%	115.9%	107.7%	143.1%
December 31, 2002	88.1%	93.6%	91.6%	104.4%	97.3%	132.2%
Annual Covered Payroll:						
January 1, 2001	$ 141,067	$ 2,659,200	$ 247,985	$ 63,274	$ 10,397	$ 464
January 1, 2002	$ 142,882	$ 2,832,060	$ 260,783	$ 67,192	$ 10,927	$ 556
December 31, 2002	$ 142,325	$ 2,926,449	$ 268,478	$ 71,354	$ 11,173	$ 556
UAAL as a Percent of Covered Payroll:						
January 1, 2001	8.0%	(16.1)%	(32.3)%	(128.1)%	(126.7)%	(789.0)%
January 1, 2002	15.0%	(10.5)%	(4.0)%	(115.9)%	(61.0)%	(634.5)%
December 31, 2002	81.5%	25.3%	46.3%	(32.8)%	22.3%	(469.6)%

B. **Teachers Insurance and Annuity Association**

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA–CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees are mainly state college/university faculty and employees of the Student Assistance Programs. 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. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

The following table presents the State of Utah's actual employer contributions to the TIAA–CREF retirement system:

State of Utah's Employer Contributions
For the Fiscal Years Ended June 30, 2002 and 2003
(Expressed in Thousands)

	Contribution Required and Paid 2002	Contribution Required and Paid 2003
Primary Government............................	$ 572	$ 700
Component Units:		
College and University	91,708	94,767
Total	$ 92,280	$ 95,467

NOTE 18. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered participation in a post retirement benefits program, as set forth in Section 67–19–14(2) of the *Utah Code*. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage, or after age 65 spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of June 30, 2003, there were 1,701 individuals on the program. The insurance coverage is paid 100 percent by the State for individuals retiring before July 1, 2000. Individuals retiring thereafter are required to pay between 2 and 7 percent of the cost depending on the coverage selected.

The State has recorded an estimated liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. The estimated 25 percent sick leave payouts at retirement are included in the liability for compensated absences. The postemployment benefits liability includes the estimated liability for health and life insurance benefits. Charges to agency budgets are made on an ongoing basis to fund the current payments for these benefits and compensated absences. For the year ended June 30, 2003, the cumulative postemployment benefits liability was $216.442 million, and $15.104 million in postemployment benefits expenditures were recognized. In accordance with state law, accrued tax revenues are designated at yearend to fund post-employment benefits, compensated absences, and other liabilities. At June 30, 2003, net designated accrued taxes were $299.799 million.

A liability is also reported in the Pension Trust Funds of $1.594 million which will be liquidated by assets of Utah Retirement Systems

All employers who participate in the State 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, 2003, there are 327 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 year ended June 30, 2003, the State paid $4.002 million in premiums and the program has $27.893 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 52–60 years of age with a minimum of 15–16 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5–7 years. The ranges for incentive and stipend pay are from 14.28 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 2003, there are 470 individuals participating in the programs, and $6.673 million was expended during the year. The total liability for postemployment benefits and compensated absences for the college and universities at June 30, 2003, was $67.868 million. The postemployment benefits portion of the cumulative liability was $17.655 million.

NOTE 19. 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 the predominant participant in these programs. The Risk Management Fund manages the general property and liability risk of the State, and the Public Employees Health Program manages the health insurance programs of the State. The University of Utah and Utah State University (component units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self-insurance funds to manage auto/physical damage, and 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, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Public Employees Health Program. 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 liability 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. Public Employees Health Program long-term disability benefit reserves are reported using a discount rate of 7 percent. The primary government and the discrete component units of the State paid premiums to Public Employees Health Program of $163.89 million and $9.0 million, respectively, for health and life insurance coverage in fiscal year 2003. In addition, the State Department of Health paid $19.84 million in premiums for the Children's Health Insurance Program.

The State covers its workers' compensation risk by purchasing insurance from Workers' Compensation Fund (a related organization). The University of Utah and Utah State 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 Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its 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, 2002, and June 30, 2003:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2002	$ 44,327	$ 16,730	$ (14,243)	$ 46,814
2003	$ 46,814	$ 5,674	$ (8,829)	$ 43,659
Public Employees Health Program:				
2002	$ 74,399	$ 292,401	$(286,905)	$ 79,895
2003	$ 79,895	$ 341,365	$(341,006)	$ 80,254
College and University Self-Insurance:				
2002	$ 19,398	$ 100,036	$ (91,576)	$ 27,858
2003	$ 27,858	$ 107,289	$(100,147)	$ 35,000

NOTE 20. SUBSEQUENT EVENTS

The Student Assistance Programs issued additional Student Loan Revenue Bonds under the authority of the 1988 Revenue Bonds General Indenture, Eleventh Supplemental Indenture in the amount of $43.35 million dated August 21, 2003. The 2003 Series V Bonds are limited obligations secured by and payable solely from the Trust Estate established under the Indenture pursuant to which the 2003 Series V Bonds are issued.

Subsequent to June 30, 2003, the Department of Corrections and the Division of Facilities, Construction and Management entered into a 20 year capital lease for approximately $6.2 million at 4.7 percent. Proceeds of lease will fund the installation of an energy efficiency control system at the Draper prison.

Subsequent to June 30, 2003, the Utah Housing Corporation (major component unit) issued $19.58 million Single Family Mortgage Purchase Variable Rate Bonds, 2003 Series D, maturing on July 1, 2014, 2023, 2024, and 2033, and January 1, and July 1, 2034, interest at a variable rate adjusted weekly, and issued $5.42 million Single-Family Mortgage Purchase Fixed Rate Bonds, 2003 Series D, maturing on July 1, 2005 through 2013, interest rates of 1.70 percent to 3.80 percent.

Salt Lake Community College (a nonmajor component unit) has a ten-year operating lease commitment, expiring September 30, 2011, for use of the Metro Center building in downtown Salt Lake City with future lease payments totaling $5.23 million. In August 2003, Salt Lake City condemned the facility due to safety concerns with the structure of the building. As of September 2003, the College began withholding monthly lease payments and is pursuing a legal resolution regarding its future financial commitments for the building.

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2003 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,465,650	$ 1,458,650	$ 1,443,974	$ (14,676)
Licenses, Permits, and Fees:				
Insurance Fees	6,343	6,084	5,639	(445)
Court Fees	4,382	4,380	4,365	(15)
Other Licenses, Permits, and Fees	7,855	6,136	7,758	1,622
Investment Income	12,000	6,050	6,471	421
Federal Appropriation—Jobs and Growth Relief	—	—	37,970	37,970
Miscellaneous Taxes and Other:				
Beer Tax	9,785	10,867	10,357	(510)
Cigarette and Tobacco Tax	53,515	50,933	43,857	(7,076)
Inheritance Tax	8,900	31,950	32,978	1,028
Insurance Premium Tax	52,050	64,000	58,989	(5,011)
Oil, Gas, and Mining Severance Tax	29,650	22,800	32,579	9,779
Taxpayer Rebates	(5,450)	(5,100)	(5,513)	(413)
Court Collections	7,368	6,483	5,659	(824)
Miscellaneous Other	15,552	17,480	16,240	(1,240)
Total General Revenues	1,667,600	1,680,713	1,701,323	20,610
Department Specific Revenues				
Restricted Sales Tax	2,980	3,270	2,825	(445)
Federal Contracts and Grants	1,343,620	1,479,673	1,479,673	—
Departmental Collections	186,361	196,796	198,334	1,538
Higher Education Collections	242,037	260,464	260,464	—
Federal Mineral Lease	29,300	42,300	46,335	4,035
Investment Income	2,919	2,410	2,560	150
Miscellaneous	326,618	381,769	385,024	3,255
Total Department Specific Revenues	2,133,835	2,366,682	2,375,215	8,533
Total Revenues	3,801,435	4,047,395	4,076,538	29,143
Expenditures				
General Government	176,271	179,385	159,290	20,095
Human Services and Youth Corrections	545,968	551,032	543,377	7,655
Corrections, Adult	186,382	183,669	177,170	6,499
Public Safety	131,880	128,582	123,780	4,802
Courts	101,947	99,868	97,465	2,403
Health and Environmental Quality	1,261,093	1,401,495	1,388,045	13,450
Higher Education – State Administration	38,733	34,891	34,891	—
Higher Education – Colleges and Universities	844,134	860,762	860,692	70
Employment and Family Services	258,949	369,547	369,473	74
Natural Resources	133,552	163,745	137,673	26,072
Community and Economic Development	119,686	102,314	91,056	11,258
Business, Labor, and Agriculture	62,756	64,731	54,647	10,084
Total Expenditures	3,861,351	4,140,021	4,037,559	102,462
Excess Revenues Over (Under) Expenditures	(59,916)	(92,626)	38,979	131,605
Other Financing Sources (Uses)				
Transfers In	152,388	161,055	161,055	—
Transfers Out	(195,397)	(164,322)	(164,322)	—
Total Other Financing Sources (Uses)	(43,009)	(3,267)	(3,267)	0
Net Change in Fund Balance	(102,925)	(95,893)	35,712	131,605
Budgetary Fund Balance – Beginning	199,360	199,360	199,360	—
Budgetary Fund Balance – Ending	$ 96,435	$ 103,467	$ 235,072	$ 131,605

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

Budgetary Comparison Schedule
Uniform School Fund

For the Fiscal Year Ended June 30, 2003 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 1,676,625	$ 1,601,850	$ 1,575,486	$ (26,364)
Corporate Tax	116,925	128,530	160,522	31,992
Investment Income	4,200	9,800	8,388	(1,412)
Miscellaneous Other	8,900	5,750	4,961	(789)
Total General Revenues	1,806,650	1,745,930	1,749,357	3,427
Department Specific Revenues				
Federal Contracts and Grants	237,429	287,709	287,709	—
Departmental Collections	2,526	1,976	1,976	—
Miscellaneous:				
School Lunch Tax	15,005	15,799	15,799	—
Driver Education Fee	4,200	4,310	4,310	—
Other	7,985	8,472	8,540	68
Total Department Specific Revenues	267,145	318,266	318,334	68
Total Revenues	2,073,795	2,064,196	2,067,691	3,495
Expenditures				
Public Education	1,977,721	2,023,134	1,986,271	36,863
Total Expenditures	1,977,721	2,023,134	1,986,271	36,863
Excess Revenues Over (Under) Expenditures	96,074	41,062	81,420	40,358
Other Financing Sources (Uses)				
Transfers In	1,676	1,565	1,565	—
Transfers Out	(126,810)	(33,951)	(33,951)	—
Total Other Financing Sources (Uses)	(125,134)	(32,386)	(32,386)	0
Net Change in Fund Balance	(29,060)	8,676	49,034	40,358
Budgetary Fund Balance – Beginning	43,891	43,891	43,891	—
Budgetary Fund Balance – Ending	$ 14,831	$ 52,567	$ 92,925	$ 40,358

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, 2003 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 231,200	$ 241,350	$ 236,639	$ (4,711)
Special Fuel Tax	88,150	86,200	84,523	(1,677)
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	28,130	30,008	28,359	(1,649)
Proportional Registration Fees	12,738	12,170	11,838	(332)
Temporary Permits	425	399	397	(2)
Special Transportation Permits	6,369	5,816	6,112	296
Highway Use Permits	8,598	8,258	7,944	(314)
Motor Vehicle Control Fees	4,458	4,445	4,289	(156)
Miscellaneous	1,698	1,657	1,721	64
Investment Income	2,017	1,707	1,655	(52)
Miscellaneous Other	2,867	990	3,081	2,091
Total General Revenues	386,650	393,000	386,558	(6,442)
Department Specific Revenues				
Restricted Sales and Aviation Fuel Taxes	34,400	34,500	34,348	(152)
Federal Contracts and Grants	140,314	191,104	191,104	—
Departmental Collections	34,297	42,210	41,947	(263)
Federal Aeronautics	30,000	20,000	18,791	(1,209)
Investment Income	280	432	732	300
Miscellaneous	4,850	18,810	19,160	350
Total Department Specific Revenues	244,141	307,056	306,082	(974)
Total Revenues	630,791	700,056	692,640	(7,416)
Expenditures				
Transportation	539,068	620,399	573,874	46,525
Total Expenditures	539,068	620,399	573,874	46,525
Excess Revenues Over (Under) Expenditures	91,723	79,657	118,766	39,109
Other Financing Sources (Uses)				
General Obligation Bonds Issued	—	45,400	45,400	—
Premium (Discount) on Bonds Issued	—	6,600	6,600	—
Transfers In	22,165	19,412	19,412	—
Transfers Out	(95,702)	(107,483)	(107,483)	—
Total Other Financing Sources (Uses)	(73,537)	(36,071)	(36,071)	0
Net Change in Fund Balance	18,186	43,586	82,695	39,109
Budgetary Fund Balance – Beginning	91,755	91,755	91,755	—
Budgetary Fund Balance – Ending	$ 109,941	$ 135,341	$ 174,450	$ 39,109

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

Budgetary Comparison Schedule
Centennial Highway Fund

For the Fiscal Year Ended June 30, 2003 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 5,382	$ 5,000	$ 4,841	$ (159)
Motor Vehicle Registration Fees	17,700	18,300	18,719	419
Investment Income	4,700	3,800	5,355	1,555
Total General Revenues	27,782	27,100	28,915	1,815
Department Specific Revenues				
Federal Contracts and Grants	37,858	42,753	42,753	—
Miscellaneous	3,408	—	—	—
Total Department Specific Revenues	41,266	42,753	42,753	0
Total Revenues	69,048	69,853	71,668	1,815
Expenditures				
Transportation	280,704	216,860	203,877	12,983
Total Expenditures	280,704	216,860	203,877	12,983
Excess Revenues Over (Under) Expenditures	(211,656)	(147,007)	(132,209)	14,798
Other Financing Sources (Uses)				
General Obligation Bonds Issued	—	95,285	95,285	—
Premium (Discount) on Bonds Issued	—	13,981	13,981	—
Transfers In	132,984	124,648	124,648	—
Transfers Out	(82,657)	(86,828)	(86,828)	—
Total Other Financing Sources (Uses)	50,327	147,086	147,086	0
Net Change in Fund Balance	(161,329)	79	14,877	14,798
Budgetary Fund Balance – Beginning	305,357	305,357	305,357	—
Budgetary Fund Balance – Ending	$ 144,028	$ 305,436	$ 320,234	$ 14,798

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah

Budgetary Comparison Schedule
Budget To GAAP Reconciliation

For the Fiscal Year Ended June 30, 2003 (Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund
Revenues				
Actual total revenues (budgetary basis)	$ 4,076,538	$ 2,067,691	$ 692,640	$ 71,668
Differences – Budget to GAAP:				
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(279,981)	(6,787)	(20,803)	—
Higher education collections are budgetary revenues but are not revenues for financial reporting	(260,464)	—	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	12,741	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	(10,474)	12,641	455	—
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 3,538,360	$ 2,073,545	$ 672,292	$ 71,668
Expenditures				
Actual total expenditures (budgetary basis)	$ 4,037,559	$ 1,986,271	$ 573,874	$ 203,877
Differences – Budget to GAAP:				
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(279,981)	(6,787)	(20,803)	—
Expenditures related to higher education collections are budgetary expenditures but are not expenditures for financial reporting	(260,464)	—	—	—
Certain budgetary transfers are reported as expenditures for financial reporting	3,300	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	863	(23)	(809)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	18,145	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 3,519,422	$ 1,979,461	$ 552,262	$ 203,877

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, 2003, 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.

Legal Compliance and Budget Management

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 appropriations may not exceed the estimated available funding for the fiscal year.

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*.

The departments which spend 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 $559 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.

The State also has an appropriation limitation statute that limits the growth in state appropriations in two ways. First, as population, personal income, and inflation increase, appropriations are allowed to increase only at the same relative rate. Second, the state-mandated property tax rate, which funds a portion of public education at the local level, is capped at the level set July 1, 1989. 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, transfers to the Budgetary Reserve Account (Rainy Day Fund), and appropriations from sources other than general unrestricted revenues are exempt from the appropriations limitation. For the fiscal year ended June 30, 2003, the State was $313.1 million below the appropriations limitation. The State is currently below the fiscal year 2004 appropriations limitation by $396.9 million.

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). 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 5,799 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 which 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

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	2002	2001	2000
Fair or Better	73.0%	70.4%	66.5%
Very Poor	6.6%	8.3%	10.7%

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,778 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 replace includes deck, beam, or substructure replacements or replacement of the entire bridge.

Condition Level

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	2003	2002	2001
Good	70.0%	70.4%	67.0%
Poor	3.0%	2.8%	5.0%

The following table presents the State's estimated amounts needed to maintain and preserve the roads and 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
2003	$ 271,599	$ 264,289
2002	$ 285,044	$ 330,894
2001	$ 281,497	$ 246,399
2000	$ 251,039	$ 249,500
1999	$ 238,970	$ 263,568

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APPENDIX B

BASIC DOCUMENTATION

Table Of Contents

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The following are definitions of certain terms from the Indenture and the Lease and summaries or extracts of certain provisions of the Indenture, the Lease and the State Facilities Master Agency Agreement. Reference is made to the Indenture, the Lease and the State Facilities Master Agency Agreement for complete recital of their terms. During the period of the offering of the 2003 Bonds, copies of the Indenture and the Lease may be obtained from the chief contact person of the State under "INTRODUCTION—Contact Persons" above. Subsequent to the offering of the 2003 Bonds copies of the Indenture, the Lease and the State Facilities Master Agency Agreement may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

"*Acquisition*" (and other forms of the word "acquire") shall have the same meaning as when such term is used in the Act, including Section 63–9a–3(6) thereof, as amended from time to time.

"*Act*" shall mean the State Building Ownership Act, Chapter 9a, Title 63 of the Utah Code.

"*Additional Bonds*" shall mean additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture.

"*Additional Facilities*" shall mean any "facility" within the meaning of the Act, to be acquired or constructed pursuant to the Act as provided in the Lease as supplemented and amended from time to time by a Supplemental Lease.

"*Additional Projects*" shall mean the undertaking by the Issuer, at the direction of the Lessee, of the acquisition or construction of any Additional Facilities, as authorized by the Act and pursuant to the Lease.

"*Additional Rentals*" shall mean the amount or amounts payable by the Lessee pursuant to the Lease for the items described herein under "THE LEASE—Rentals Payable–(b) Additional Rentals" below.

"*Agency Agreement*" shall mean (a) that certain State Facilities Master Agency Agreement, dated as of September 1, 1994, as supplemented and amended between the Lessor and the Division of Facilities Construction and Management of the Department of Administrative Services of the State of Utah, as agent, relating to the undertaking and completion of the Projects and (b) any agency agreement between the Lessor, as principal, and any governmental body or other entity selected by the Lessor for purposes of causing the undertaking and completion of any Additional Project or Additional Projects.

"*Appropriate Rating Agencies*" shall mean Moody's, if any of the 2003 Bonds are then rated by such rating agency, and S&P, if any of the 2003 Bonds are then rated by such rating agency.

"*Authorized Lessee Representative*" shall mean the person or persons at the time designated, by written certificate furnished to the Lessor and the Trustee, as the person or persons authorized to act on behalf of the Lessee.

"*Authorized Lessor Representative*" shall mean the person or persons at the time designated, by written certificate furnished to the Lessee and the Trustee, as the person or persons authorized to act on behalf of the Lessor.

"*Base Rental Payment Date*" shall mean the first day of each May and November during the term of the Lease, commencing on May 1, 1995, except that with respect to any Variable Rate Rentals, the Base Rental Payment Date shall mean each date on which such Variable Rate Rentals are due and payable as provided in the Supplemental Lease providing for such Variable Rate Rentals.

"*Base Rental Payment Schedule*" shall mean the Base Rental Payment Schedule attached to the Lease and the Attachments thereto relating to each of the Facilities, as such Schedule (including such Attachments) may be revised from time to time in accordance with the Indenture.

"*Base Rentals*" shall mean the amount or amounts (comprising a principal component and an interest component) payable by the Lessee pursuant to the Lease in consideration of the right to the use and enjoyment of the Leased Property during the term of the Lease, on the dates and in the amounts set forth in the Base Rental Payment Schedule and on the dates and in the amounts representing the interest component for Variable Rate Rentals calculated pursuant to the Supplemental Lease providing for such Variable Rate Rentals.

“*Bond*” or “*Bonds*” shall mean all bonds issued under the Indenture, including the 2003 Bonds and any Additional Bonds authenticated and delivered from time to time under the Indenture.

“*Bond Counsel*” shall mean an attorney at law or a firm of attorneys (which is mutually acceptable to the Lessee and the Trustee) of nationally recognized standing in matters pertaining to the tax–exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“*Bond Fund*” shall mean the fund by that name created by the Indenture to be used to pay the principal of and interest on the 2003 Bonds as provided in the Indenture.

“*Bond Interest Payment Dates*” shall mean May 15 and November 15 of each year so long as any of the 2003 Bonds are Outstanding, or with respect to Variable Rate Bonds, such dates as shall be specified for the payment of interest on such Bonds in the Supplemental Indenture authorizing such Variable Rate Bonds.

“*Bond Payment Date*” shall mean a Bond Interest Payment Date and/or a Bond Principal Payment Date.

“*An* “*Owner*” *of the 2003 Bonds*”, or any similar term, shall mean the persons who purchase the 2003 Bonds from an underwriter and/or those persons who thereafter purchase 2003 Bonds in the secondary market. Most of the rights of Owners, including the right to receive payments in relation to the 2003 Bonds, will belong to DTC so long as DTC is the sole registered owner of the 2003 Bonds. Owners nevertheless have certain rights as owners of their 2003 Bonds. Notices and payments in relation to the 2003 Bonds will be sent to the registered owner(s) of the 2003 Bonds as shown on the State’s bond register for the 2003 Bonds.

“*Business Day*” shall mean a day of the year on which banks located in the city in which the principal corporate trust office of the Trustee is located are not required or authorized to remain closed.

“*Cede*” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to any Series of Bonds pursuant to the Indenture.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

“*Completion Certificate*” shall mean the certificate (including attachments thereto) delivered with respect to each Project by or at the direction of an Authorized Lessee Representative pursuant to the Lease and the Indenture, evidencing completion of such Project, the establishment of the Completion Date therefor, acceptance of the portion of the Leased Property represented by such Project by the Lessee and certain other matters.

“*Completion Date*” shall mean, with respect to each Project, the date of completion of such Project and of final acceptance of the portion of the Leased Property represented by such Project by the Lessee, all as evidenced by the delivery of the Completion Certificate relating thereto.

“*Construction*” (and other forms of the word “construct”) shall have the same meaning as when such term is used in the Act, including Section 63–9a–3(6) thereof, as amended from time to time.

“*Contractor*” shall mean such reputable contractor or contractors designated as general contractor for any or all of the Facilities.

“*Continuing Disclosure Agreement*” shall mean that certain Continuing Disclosure Undertaking Agreement among the Issuer, the Lessee and the Trustee, dated the date of original issuance of the 2003 Bonds, as originally executed and as it may be amended from time to time in accordance with its terms.

“*Costs of Issuance*” shall mean all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Lessee relating to the financing of the Projects under the Indenture, including, but not limited to, all costs paid or incurred by the Lessee or the Issuer at any time prior to or after delivery of the 2003 Bonds with respect to the issuance, sale and delivery of the 2003 Bonds, including, but not limited to, initial or acceptance fees and expenses of the Trustee, the Paying Agent and the Registrar, advance annual Trustee fee for a period not exceeding one year, costs of legal and other professional services, including, but not limited to, financial advisor fees and expenses, costs of underwriting the 2003 Bonds (including underwriting fees or bond discount), costs of preparing the

Operative Agreements relating to the Project financed by the 2003 Bonds and any supplements to any thereof and any other documents in connection with the authorization, issuance and sale of the 2003 Bonds, rating agency fees and expenses, recording and filing fees, costs of title insurance, printing and engraving and other fees and costs in connection therewith.

"*Event of Default*" shall mean one or more of the events of default described in the Lease and the Indenture.

"*Event of Nonappropriation*" shall mean a nonrenewal of the term of the Lease by the Lessee, determined by the failure (for whatever reason) of the State to enact into law a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient to pay the Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as provided in the Lease or determined by the unavailability of such moneys for such purpose for any other reason. To the extent any non–lapsing appropriations are used as the basis for determining that sufficient moneys have been appropriated for a Fiscal Year, such appropriations shall be deemed to have been appropriated and to be legally available for the purpose of paying Rentals during such Fiscal Year. The existence or nonexistence of an Event of Nonappropriation shall be determined as of (a) the date on which the Legislature fails or refuses to adopt a final budget in accordance with applicable law which appropriates sufficient moneys to pay such Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as contemplated by the Lease or (b) the date on which the Governor of the State vetoes the appropriation to pay such Rentals contained in a final budget adopted by the Legislature, which veto is not thereafter overridden as provided by law; *provided, however,* that the Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the 2003 Bonds, except as otherwise provided in the Lease; and *provided, further, however,* that in no event shall an Event of Nonappropriation occur or be deemed to occur prior to June 1 of the Fiscal Year next preceding each Renewal Term, notwithstanding anything in the Lease to the contrary. If the State changes its Fiscal Year to a different twelve–month period than the Fiscal Year in effect on the date of execution of the Lease, the foregoing reference to June 1 shall be deemed to refer to the date that is 30 days prior to the end of such new Fiscal Year.

"*Excepted Property*" shall mean the following described property of the Issuer that is expressly excepted and excluded from the lien and operation of the Indenture, whether such property is now owned on hereafter acquired:

(a) The last day of the term of the leasehold estate created under the Lease and the last day of the term of each Site Lease; *provided, however,* that the Issuer covenants and agrees that it will hold each such last day in trust for the use and benefit of the Owners of the 2003 Bonds and that it will dispose of each such last day from time to time in accordance with such written order as the Trustee in its discretion may give;

(b) Certain property installed by the Lessee or by any sublessee or licensee of the Lessee as provided in the Lease; and

(c) Amounts to be transferred pursuant to the Indenture to, or held by the Trustee in, the Rebate Fund established under any Tax Certificate.

"*Facilities*" shall mean each of the facilities acquired or constructed pursuant to the Act as provided in the Lease.

"*Fiscal Year*" shall mean the twelve–month period used from time to time by the Lessee for its financial accounting purposes, such period currently extending from July 1 to the next succeeding June 30.

"*Funds*" shall mean, collectively, all of the funds and accounts created under the Indenture and held by the Trustee, including, but not limited to, the Project Fund, the Project Accounts, the Bond Fund, the 1994A Costs of Issuance Fund, the Capitalized Interest Fund, the Capitalized Interest Accounts, the Redemption Fund, the Insurance Fund and any costs of issuance fund created under the Indenture in connection with the issuance of a Series of Bonds.

"*Government Obligations*" shall mean direct general obligations of, or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, the guarantee of which constitutes the full faith and credit obligation of the United States of America (including any such obligations issued or held in book–entry form on the books of the Department of the Treasury of the United States of America).

"*Indenture*" shall mean the Original Indenture as supplemented and amended from time to time in accordance with its terms.

"*Insurance Fund*" shall mean the fund by that name created by the Indenture for the deposit of all Net Proceeds of performance or payment bonds, proceeds (including moneys derived from the Risk Management Fund and any self–insurance program) from policies of insurance required by the Lease or condemnation awards, or any proceeds resulting from a default under a Project Contract (except certain liquidated damages received as a consequence of default by a Contractor to complete a Project in a timely fashion, which shall be deposited into the Bond Fund as required by the Lease) or any other contract relating to the Leased Property that are received by the Trustee, to be applied to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of the Leased Property, or to the redemption, in whole or in part, of the principal of the 2003 Bonds, under the terms and conditions specified in the Indenture.

"*Interests Secured by the Indenture*" shall mean the principal of and interest and premium, if any, on the 2003 Bonds and all additional amounts and other sums at any time due and owing from or required to be paid by or on behalf of the Issuer under the terms of the 2003 Bonds or the Indenture or by the Lessee pursuant to the terms of the Lease.

"*Investment Securities*" shall mean any of the investments in which the moneys and other assets of the State may be invested as permitted from time to time by the State Money Management Act, Chapter 7, Title 51 of the Utah Code, and such other investments as may be identified from time to time in a Supplemental Indenture as "Investment Securities."

"*Issuer*" shall mean the Utah State Building Ownership Authority, a body politic and corporate of the State of Utah, and any public body or corporation that succeeds to its powers, duties or functions.

"*Lease*" shall mean the Original Lease as amended and supplemented in accordance with its terms and the terms of the Indenture.

"*Leased Property*" shall mean the Facilities leased and to be leased to the Lessee pursuant to the Lease.

"*Lessee*" shall mean the State of Utah, acting through its Department of Administrative Services, Division of Facilities Construction and Management, and any department, division, commission or agency of the State succeeding to such Division's powers, duties or functions.

"*Lessee's Counsel*" shall mean the duly elected and qualified Attorney General of the State of Utah or his or her designee, who regularly or by special appointment represents the Lessee in legal matters.

"*Lessor*" shall mean the Utah State Building Ownership Authority, a body politic and corporate of the State of Utah, or any successor to the powers, duties or functions of the Lessor.

"*Lien*" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on common law, statute or contract, and including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes.

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, Moody's shall be deemed to refer to any other nationally recognized securities rating organization designated by the Lessee, by notice to the Trustee.

"*Mortgage*" shall mean each Mortgage, Security Agreement and Assignment of Rents, substantially in the form attached to the Indenture, to be executed, delivered and recorded as provided in the Indenture and in the Lease and any other "mortgage" (as such term is defined in Section 63–9a–3(5) of the Act as such Section may be amended from time to time), relating to a mortgage lien to be imposed on the respective Facilities on or before the disbursement of moneys from each Project Account as provided in the Indenture, for the purpose of providing security, in addition to that provided by the Indenture, for the payment of the principal of, and premium, if any, and interest on, the 2003 Bonds and the other Interests Secured by the Indenture.

"*Net Proceeds*" when used with respect to any performance or payment bond proceeds, or proceeds (including, but not limited to, any moneys derived from the Risk Management Fund or any self–insurance program) from policies of insurance required by the Lease, or any condemnation award, or any proceeds resulting from default under a Project Contract (including, but not limited to, any such proceeds realized as liquidated damages) with respect to the Leased Property, or with respect to proceeds from any foreclosure on the Leased Property or liquidation, reletting or sale of the Leased Property (subject to the Site Leases), shall mean the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof.

"*Notice by Mail*" or "*notice*" of any action or condition "*by Mail*" shall mean a written notice meeting the requirements of the Indenture mailed by first–class mail, postage prepaid, to the Owners of specified Bonds, at the addresses shown in the Register.

"*Officer's Certificate*" when used with respect to the Lessee shall mean a certificate signed by an Authorized Lessee Representative, or when used with respect to the Issuer or the Lessor, an Authorized Lessor Representative, and delivered to the Trustee.

"*Option Price*" shall mean the price as specified in the Option Price Schedule at which (together with certain other amounts payable pursuant to the Lease) the Lessee may elect to purchase from the Lessor the Leased Property (other than State–Owned Sites) in its entirety on the applicable Optional Payment Date or any portion thereof consisting of separate Facilities identified on Subschedules to the Option Price Schedule and designated by the Lessee pursuant to the Lease prior to the scheduled payment of all sums to be paid for the Leased Property or any such portion, all as more particularly shown in the Option Price Schedule (or the applicable Subschedule thereto) and as such Option Price Schedule (including the Attachments thereto) may be revised hereafter in accordance with the Indenture.

"*Option Price Schedule*" shall mean the Option Price Schedule attached to the Lease, as such Schedule may be revised hereafter from time to time in accordance with the Indenture.

"*Optional Payment Date*" shall mean any Business Day on or after November 15, 2004 (except as otherwise provided in the Lease) during the term of the Lease upon which the Lessee may elect pursuant to the Lease to purchase the Leased Property (other than State–Owned Sites) or any portion thereof consisting of separate Facilities identified on Subschedules to the Option Price Schedule for the then applicable Option Price or portion thereof with respect to such separately identified Facilities.

"*Optional Redemption Date*" shall mean the Optional Payment Date or other redemption date on which the Issuer redeems Bonds in whole or in part as provided in the Indenture.

"*Original Indenture*" shall mean the Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, between the Issuer and the Trustee.

"*Original Lease*" shall mean the State Facilities Master Lease Agreement, dated as of September 1, 1994, as heretofore supplemented and amended, between the Lessee and the Issuer.

"*Outstanding*" when used with respect to Bonds shall mean, as of the date of determination, all Bonds that have theretofore been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore canceled and delivered to the Registrar or delivered to the Registrar for cancellation;

(b) Bonds that have been defeased pursuant to the Indenture; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

"*Permitted Encumbrances*" shall mean, as of any particular time, (a) liens for taxes, assessments and other governmental charges not then delinquent; (b) the Lease, the Indenture, any Mortgage, any sublease permitted by the Lease and any financing statements naming the Issuer or the Lessee as debtor and naming the Issuer or the Trustee as secured party now or hereafter filed to perfect the mortgage lien and security interests granted or to be granted by the Indenture, any Mortgage and the Lease; (c) the Site Leases; (d) utility, access and other easements and rights–

of–way, mineral rights, restrictions and exceptions that an Authorized Lessee Representative certifies to the Trustee will not materially interfere with or impair the operations being conducted in or on the Leased Property (or, if no operations are being conducted therein or thereon, the operations for which the Leased Property was designed or last modified); (e) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right in respect thereof if payment is not yet due and payable under the contract in question; (f) such minor defects, irregularities, encumbrances, easements, rights–of–way and clouds on title as normally exist with respect to properties similar in character to the Leased Property and (i) as do not, in the opinion of the Authorized Lessee Representative, certified in writing to the Trustee, materially impair the property affected thereby for the purpose for which it was or is to be Acquired or is or will be held by the Issuer or the Lessee or (ii) are adequately insured against by a title insurance policy reasonably satisfactory to the Trustee and the Lessee; (g) any liens or encumbrances being contested as provided in the Lease; (h) any encumbrance represented by financing statements recorded or filed to perfect purchase money security interests in any or all of the Facilities; and (i) any easements, liens, security interests and other encumbrances as are included in the definition of "Permitted Encumbrances" as provided in a Supplemental Lease.

"*Person*" shall mean one or more individuals, estates, joint ventures, joint–stock companies, partnerships, associations, corporations, trusts or unincorporated organizations, and one or more governments or agencies or political subdivisions thereof.

"*Plans and Specifications*" shall mean plans and specifications prepared for and showing each of the Facilities, as and when they are approved by the Lessee, the same being duly certified by an Authorized Lessee Representative, which plans and specifications are or will be on file at the office of the Lessee described in the first paragraph of the Lease and shall be available for reasonable inspection by the Lessor, the Trustee and their duly authorized representatives.

"*Project Accounts*" shall mean, collectively, each Project Account created under the Indenture with respect to the financing of Facilities through the issuance of a Series of Bonds.

"*Project Contracts*" shall mean, collectively, each contract entered into by the Lessee (acting in its capacity as the Lessor's agent pursuant to the Agency Agreement), any other agent acting on behalf of the Lessor pursuant to an Agency Agreement or the Lessor regarding any Project.

"*Project Costs*" with respect to each Project shall mean those items that the Lessee, in its own capacity or in its capacity as agent to the Issuer pursuant to the Agency Agreement, any other agent or the Issuer has paid or shall be required to pay under the terms of any contract or contracts for such Project and the financing thereof and all expenses preliminary and incidental thereto incurred by the Issuer, the Lessee (as such agent) or such other agent in connection therewith and in the issuance of the 2003 Bonds, including, but not limited to, the following:

(a) obligations of the Lessee or the Issuer incurred for labor, materials and equipment (including permitted reimbursements from proceeds of Bonds payable to the Lessee for expenditures made with respect to the Facilities) in connection with such Project;

(b) the cost of performance or other bonds and any and all types of insurance (including, but not limited to, title insurance) that may be necessary or appropriate in connection with each Project and the Leased Property;

(c) all costs of planning and designing each of the Facilities, including architectural, planning, engineering, legal and fiscal advisors' fees and the costs incurred by the Lessee or the Issuer for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising Construction, as well as for the performance of all other duties required by or consequent to the proper and timely completion of each Project;

(d) all Costs of Issuance related to the Series of Bonds issued with respect to such Project;

(e) payment of expenses incurred in seeking to enforce any remedy against any Contractor or subcontractor in respect of any default under a Project Contract;

(f) the cost of equipment and furnishings for each of the Facilities and all other authorized costs that are considered to be a part of the costs of each of the Facilities in accordance with generally accepted accounting principles and that will not adversely affect the excludability from gross income for Federal income tax purposes of interest on the 2003 Bonds, including, but not limited to, interest accruing on the 2003 Bonds from the date of original issuance thereof and during the period required to complete each Project and for not more 12 months after the respective Completion Date of each such Project;

(g) temporary rent and other similar temporary relocation expenses (including the cost of mobile office trailer space) to be paid for the benefit of any State Body that has been dispossessed from its facilities for a period of time pending completion of the Facilities in which such State Body will be located upon completion thereof;

(h) any other costs and expenses identified in a Supplemental Indenture as "Project Costs" so long as such costs and expenses are authorized under the Act;

(i) land acquisition costs related to a Project to the extent permitted by the Act;

(j) any sums required to reimburse the Issuer or the Lessee for advances made by either of them for any of the above items or for any other costs incurred and for work done by either of them that are properly chargeable to a capital account in respect of a Project, including sums required to reimburse the Issuer or the Lessee for advances for costs incurred pursuant to clause (k) below; and

(k) all other amounts that shall be required to be paid under the terms of any Project Contract so long as such amounts are authorized under the Act.

"*Project Documents*" shall mean (a) the Plans and Specifications, including change orders (if any) as permitted by the Lease; (b) a survey of each site on which any of the Facilities are located, prepared by a registered land surveyor in accordance with standard requirements for land title surveys, showing the location of all improvements, easements, encroachments and other encumbrances on each such site; (c) any necessary permits for any of the Projects, including any building permits and certificates of occupancy; (d) the Project Contracts; (e) policies of title, casualty, public liability and workers' compensation insurance, or certificates thereof, as required by the Lease with respect to the Leased Property; (f) performance and payment bonds with respect to any Construction of any of the Facilities; (g) the executed contract with an architect hired by the Lessee in connection with the preparation of Plans and Specifications and (h) any and all other documents executed by or furnished to the Lessee or a Contractor in connection with any Project.

"*Project Fund*" shall mean the fund by that name created by the Indenture to be expended to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, in accordance with the provisions of the Lease and the Indenture.

"*Projects*" shall mean, collectively, all projects undertaken by the Issuer pursuant to the Lease.

"*Property*" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"*Redemption Fund*" shall mean the fund by that name created by the Indenture to be used for the redemption of Bonds (other than mandatory sinking fund redemptions).

"*Register*" shall mean the register kept at the principal corporate trust office of the Trustee, as Registrar, for the registration, exchange and transfer of Bonds.

"*Registrar*" shall mean the agent appointed by the Trustee, at the direction of the Issuer, as agent of the Trustee to keep the books for the registration of the 2003 Bonds and for the registration of transfer and exchange of the 2003 Bonds, and any successor appointed by the Trustee, at the direction of the Issuer, or in the event that at any time no such agent shall be appointed, the Trustee.

"*Regular Record Date*" shall mean, with respect to any Bond Interest Payment Date for Bonds that are not Variable Rate Bonds, the first day of the month in which such Bond Interest Payment Date occurs. For Variable Rate Bonds, "Regular Record Date" shall have the meaning given thereto in the Supplemental Indenture authorizing such Variable Rate Bonds.

"*Renewal Term*" shall mean each of the additional and consecutive one year renewal terms, commencing July 1, 1995, and a final renewal term commencing July 1, 2024, and ending May 16, 2025, for which the Lessee at its option may extend the term of the Lease after the Initial Term.

"*Rentals*" shall mean the total amount of the Base Rentals and the Additional Rentals payable during the Initial Term and each Renewal Term under the Lease.

"*Revenues*" shall mean (a) the Option Price, if paid, and any portion of the Option Price (if paid) with respect to separate Facilities; (b) all Net Proceeds, if any, of casualty insurance (including any moneys derived from the Risk Management Fund or any self–insurance program), title insurance, performance bonds, condemnation awards and awards resulting from defaults under Project Contracts (including amounts realized as liquidated damages) in connection with the Projects, not applied to the repair, restoration, modification, improvement or replacement of the Leased Property; (c) all Net Proceeds, if any, derived from any sale of the Leased Property pursuant to a foreclosure pursuant to the Indenture or any of the Mortgages and reletting or sale of the Leased Property thereafter pursuant to the Indenture or any of the Mortgages or any other proceeds realized upon the exercise of any other remedies under the Indenture or under any of the Mortgages; (d) the Base Rentals; (e) any portion of the proceeds of sale of the 2003 Bonds deposited into the Bond Fund or the Capitalized Interest Fund to pay accrued interest or capitalized interest on Bonds; (f) any earnings on moneys on deposit in the Bond Fund and the Capitalized Interest Fund to the extent such earnings are available as provided in the Indenture for application for the purposes for which such Funds have been or will be established under the Indenture; (g) all other revenues derived from the Lease, except Additional Rentals; and (h) any other moneys to which the Trustee may be entitled for the benefit of the Owners of the 2003 Bonds, including, but not limited to, any amounts to be paid into the Bond Fund pursuant to the Lease from rentals or other payments by permitted sublessees, assignees and transferees.

"*Risk Management Fund*" shall mean the Risk Management Fund of the State of Utah, established pursuant to Section 63A–4–201 of the Utah Code.

"*S&P*" shall mean Standard & Poor's Ratings Group, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, "S&P" shall be deemed to refer to any other nationally recognized securities rating organization designated by the Lessee, by notice to the Trustee.

"*Series*" shall mean all of the 2003 Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

"*Site Leases*" shall mean any lease pursuant to which the State leases a State–Owned Site to the Issuer for the purpose of a Project.

"*Special Record Date*" shall mean a special date fixed to determine the names and addresses of Owners of Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as provided in the Indenture.

"*State*" shall mean the State of Utah.

"*State/SLOC Sublease*" shall mean that certain Sublease Agreement, dated as of July 1, 1998, between the State and SLOC, pursuant to which the State subleases to SLOC the U of U 1998B Facilities for the Olympic Winter Games Period.

"*State Bodies*" shall mean DABC, DEQ, DHS, DNR, DPR, SOE, UDOC and any other "state bodies" as such term is defined in the Act, including Section 63–9a–3(3) thereof, as amended from time to time.

"*State–Owned Land*" shall mean any parcel of land on which Facilities are to be Acquired or Constructed that is owned by the State, was not acquired by the State with the proceeds of any Bonds issued pursuant to the Indenture and is leased to the Issuer for the purpose of a Project.

"*State–Owned Site*" shall mean "State–Owned Land."

"*Supplemental Indenture*" shall mean any supplement or amendment to the Indenture that has been duly entered into between the Issuer and the Trustee, but only if and to the extent that such Supplemental Indenture is entered into in accordance with the provisions of the Indenture.

"*Supplemental Lease*" shall mean any supplement or amendment to the Lease that has been duly entered into by the Lessor and the Lessee, but only if and to the extent that such Supplemental Lease is entered into in accordance with the provisions of the Lease and the Indenture.

"*Tax Certificate*" shall mean, with respect to each Series of Bonds, any agreement or certificate of the Issuer and the Lessee that the Issuer and the Lessee may execute in order to establish and assure the excludability from gross income for Federal income tax purposes of interest on the 2003 Bonds.

"*Term of the Lease*" or "*term of the Lease*" with respect to the possessory interest of the Lessee shall mean the Initial Term and any Renewal Terms as to which the Lessee exercises its option to renew the term of the Lease as provided in the Lease, subject to the provisions hereof concerning termination of certain of the Lessee's obligations under the Lease.

"*Trust Estate*" shall mean the properties, rights, interests and privileges (a) described in the Granting Clauses of the Indenture and to be described in the Granting Clauses of each Supplemental Indenture or (b) subject to the lien of a Mortgage.

"*Trustee*" shall mean Wells Fargo Bank Northwest, National Association, of Salt Lake City, Utah, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

"*Utah Code*" shall mean the Utah Code Annotated 1953, as amended.

"*Variable Rate Bonds*" shall mean, as of any date of calculation, any Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated for a period or at a rate that is not susceptible of precise determination for any future period of time; *provided, however,* that the term "Variable Rate Bonds" shall not apply to any period after the method for calculating interest on the 2003 Bonds has been converted to a fixed rate to maturity as provided in the applicable Supplemental Indenture.

"*Variable Rate Rentals*" shall mean the interest component of Base Rentals that is to be calculated for a period of time or at a rate that, as of any date of calculation, is not susceptible of precise determination for any future period of time; *provided, however,* that the term "Variable Rate Rentals" shall not apply to any period after the method for calculating the interest component of Base Rentals has been converted to a fixed rate to maturity as provided in the applicable Supplemental Lease.

THE INDENTURE

The 2003 Bonds

Limited Obligations

Under the Indenture the 2003 Bonds are secured by the Trust Estate, which is specifically mortgaged, pledged, hypothecated, assigned and otherwise secured by the Indenture, subject to Permitted Encumbrances, for the equal and ratable payment of the 2003 Bonds and shall be used for no other purpose than to pay the principal of, and premium, if any, and interest on, the 2003 Bonds, except as may be otherwise expressly authorized in the Indenture. Neither the full faith and credit nor the taxing powers of the State or any political subdivision of the State is pledged to the payment of the principal of, or premium, if any, or interest on, the 2003 Bonds or other costs appertaining thereto. The 2003 Bonds and the interest and premium, if any, thereon shall not now nor shall ever constitute an indebtedness of the Issuer, the State (as Lessee or otherwise) or any political subdivision of the State within the meaning of any constitutional provision or limitation nor constitute or give rise to or be a general obligation or liability of, or a charge against the general credit or taxing powers of, the State or any political subdivision of the State.

The obligation of the Lessee to pay Base Rentals and other amounts under the Lease is annually renewable as provided therein. Neither the issuance of the 2003 Bonds nor the execution and delivery of the Lease directly or contingently obligate the State (as Lessee or otherwise) or any political subdivision thereof to appropriate any money to pay Rentals under the Lease or to pay any Rentals beyond those appropriated for the then current Fiscal Year of the State. Neither the Lessee's officers and agents, nor officers, trustees or agents of the Issuer, nor any persons executing the 2003 Bonds or the Lease shall be liable personally on the 2003 Bonds or the Lease or subject to any personal liability or accountability by reason of the issuance of the 2003 Bonds or the execution of the Lease.

The Lease provides that if the Lessee fails to pay Rentals, it must immediately quit and vacate the Leased Property and its obligation to pay any Rentals (except for Rentals theretofore appropriated and then available for such purpose) shall thereupon terminate. No judgment for money damages may be entered against the State (as Lessee or otherwise) nor against any political subdivision thereof for failure to pay such Rentals or any other amounts, except for Rentals theretofore appropriated and then available for such purpose, other moneys and property subject to the lien of the Indenture or the Mortgages or as otherwise expressly provided in the Lease. No deficiency judgment may be entered against the Issuer, the State (as Lessee or otherwise) or any political subdivision of the State on foreclosure of any lien created by the Indenture or the Mortgages or on sale of the Leased Property (subject to the Site Leases) pursuant to a foreclosure or liquidation pursuant to the Indenture or the Mortgages or reletting or sale of the Leased Property thereafter pursuant to the Lease, except as otherwise expressly provided in the Lease. Neither the State (as Lessee or otherwise) nor any political subdivision thereof, other than to the extent provided in the Lease, is obligated to pay the principal of, or premium, if any, or interest on, any Bond, the Option Price, any portion of the Option Price related to the purchase of separate Facilities or other amounts that may come due in connection with or related to any Variable Rate Bond.

Nothing in the Lease or in the Indenture creates any obligation of the Lessee to purchase the Leased Property or any separate Facilities constituting a portion thereof or creates any obligation of the Lessee in respect to any creditors, shareholders or security holders of the Issuer (including, but not limited to, the Owners from time to time of the 2003 Bonds).

Additional Bonds

At any time while there is no Event of Default under the Indenture or the Lease and so long as no Event of Nonappropriation has occurred and is then continuing, Additional Bonds may be issued pursuant to a Supplemental Indenture for the purposes specified in the Indenture. All Additional Bonds shall be secured by the lien of the Indenture and the Mortgages and rank *pari passu* with the 2003 Bonds then Outstanding.

Prior to the delivery on original issuance by the Trustee of each Series of such Additional Bonds, there shall be or have been delivered to the Trustee, among other items required by the Indenture, the following:

(i) a written opinion of Bond Counsel to the effect that the issuance of such Series of Additional Bonds will not adversely affect the excludability from gross income for Federal income tax purposes of interest on any Bonds then Outstanding;

(ii) a new ALTA mortgagee title insurance policy with comprehensive endorsement with respect to any project for which disbursement of Bond proceeds is to be authorized, in form and content acceptable to the purchasers of the new Bonds; and if the Lessee so desires, an ALTA leasehold policy which complies with Section 212(d)(vi) of the Indenture; and

(iii) written evidence from each of the Appropriate Rating Agencies to the effect that the issuance of the Series of Additional Bonds will not by itself result in a reduction of withdrawal of the rating or ratings then in effect with respect to the Outstanding Bonds.

General Covenants

Rental Rates

The Issuer covenants to charge Base Rentals and Additional Rentals under the Lease sufficient in amount for such purposes and to pay any other obligations under the Lease that are to be paid from Base Rentals or Additional Rentals.

Payment of Bonds

The Issuer covenants in the Indenture to pay promptly the principal of (whether at maturity, by operation of mandatory sinking fund redemptions, by acceleration, call for redemption or otherwise), and premium, if any, and interest on, the 2003 Bonds at the places, on the dates and in the manner provided in the Indenture and in every Bond issued under the Indenture according to the true intent and meaning thereof; *provided, however*, that such obligations are not general obligations of the Issuer but are limited obligations payable solely from the Revenues.

Performance of Issuer's Covenants; Authority

The Issuer covenants in the Indenture to faithfully observe and perform at all times any and all covenants, conditions and agreements on its part contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Issuer pertaining thereto; *provided, however*, that the liability of the Issuer under any such covenant, condition or agreement for any breach or default by the Issuer thereof or thereunder shall be limited solely to the Revenues.

Payment of Taxes, Charges, Insurance, etc.

The Issuer covenants in the Indenture to cause the Lessee pursuant to the Lease to maintain certain insurance and pay all lawful taxes, assessments and charges at any time levied or assessed against or with respect to the Leased Property or the Revenues, or any part thereof, that might impair or prejudice the lien and priority of the Indenture or any of the Mortgages; *provided*, *however*, that nothing contained in the Indenture shall require the maintenance of insurance or payment of any such taxes, assessments or charges if the same are not required to be maintained or paid under the provisions of the Lease.

Maintenance and Repair of and Alterations, Additions and Improvements to Leased Property

Pursuant to the provisions of the Lease, the Lessee has agreed at its own expense to maintain, manage and operate the Leased Property in good order, condition and repair, and the Lessee may, at its own expense, make from time to time additions, modifications or improvements to the Leased Property under the terms and conditions set forth in the Lease and as provided in the Indenture.

Recordation of the Lease, Indenture, Mortgages, Site Leases and Security Instruments

The Issuer covenants to cause the Indenture, each Mortgage, the Lease, each Site Lease and all supplements and amendments thereto as well as such other security instruments, financing statements, continuation statements and all supplements and amendments thereto and other instruments as may be required from time to time to be kept recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Owners of the 2003 Bonds and the rights of the Trustee under the Indenture and to perfect the lien of, and the security interest created by, the Indenture and each Mortgage.

Revenues And Funds

Source of Payment of Bonds

The Base Rentals that the Lessee is required to pay in accordance with the Lease are to be remitted directly to the Trustee for the account of the Issuer and deposited into the Bond Fund and the Redemption Fund as provided in the Lease. Such payments, sufficient in amount to insure the prompt payment of the principal of (including mandatory sinking fund redemptions) and premium, if any, and interest on, the 2003 Bonds (so long as the Lessee appropriates sufficient moneys annually to pay Rentals accruing during each succeeding Renewal Term under the Lease) are pledged to secure the payment of such principal of, and premium, if any, and interest on, the 2003 Bonds. Said pledge shall constitute a first and exclusive lien on the Base Rentals provided in the Lease for the payment of the principal of, and premium, if any, and interest on, the 2003 Bonds in accordance with the terms thereof and of the Indenture and otherwise for the benefit of the Interests Secured by the Indenture.

Funds and Accounts

The Indenture establishes the following irrevocable trust funds, among others, all of which are to be held by the Trustee:

(a) the Bond Fund which includes a Capitalized Interest Account;

(b) the Project Fund which includes separate accounts for each Project;

(c) the Redemption Fund;

(d) the Insurance Fund; and

(e) the Cost of Issuance Fund which includes a separate account for each Series of Bonds.

Payments into and Use of Moneys in Bond Fund and Capitalized Interest Fund

There shall be deposited into the Bond Fund, as and when received, the following:

(a) any amount in a Capitalized Interest Account to be paid into the Bond Fund in accordance with the Indenture;

(b) any amount in the Project Fund (including any Project Account therein) to be paid into the Bond Fund in accordance with the Indenture;

(c) all Base Rentals;

(d) any other amount to be deposited therein pursuant to any other provisions of the Indenture, or any provisions of a Supplemental Indenture; and

(e) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease or otherwise that are required or that are accompanied by directions that such moneys are to be paid into the Bond Fund.

Moneys in the Bond Fund are to be used for the payment of the principal of and interest on the 2003 Bonds, including mandatory sinking fund redemption payments.

Pursuant to the Indenture, there shall be deposited into each Capitalized Interest Account (i) the amount specified in the Indenture as capitalized interest on a Series of Bonds, (ii) earnings on investments of moneys in such Capitalized Interest Account, and (iii) all other moneys that are required or directed to be paid into the Capitalized Interest Account. Under the Indenture, the Trustee transfers automatically on each Bond Interest Payment Date to the Bond Fund from each Capitalized Interest Account any moneys necessary to pay interest then coming due on the related Series of Bonds.

Payments into and Disbursements from Project Fund

The proceeds of a Series of Bonds deposited into a Project Account within the Project Fund are to be used to pay the Project Costs being financed by such Series of Bonds. So long as the Lessee's right (as agent of the Issuer under the Agency Agreement) to control the Projects has not otherwise been terminated pursuant to the Lease or the Agency Agreement, the Trustee is authorized and directed under the Indenture to make payments as requested by the Lessee from each Project Account to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, upon receipt of certain documents, certificates and opinions specified in the Indenture.

In the event that a Project is not completed timely, or an Event of Nonappropriation or Event of Default shall have occurred and be continuing, the Trustee shall take such actions with respect to moneys then remaining in the Project Account that relates to such incomplete Project and may either complete such Project or otherwise disburse such moneys pursuant to the provisions of the Lease and the Indenture as the Trustee may deem appropriate in the best interests of the Owners of the 2003 Bonds.

Completion of the Projects; Delivery of Completion Certificate

The completion of each Project under the Lease, the payment or provision made for payment of all Project Costs under the Lease related to each such Project and the acceptance of the portion of the Leased Property represented by such Project by the Lessee shall be evidenced by the filing with the Trustee of the Completion Certificate of an Authorized Lessee Representative stating that, to the best of the Lessee's knowledge based upon the representations of the engineers, vendors, suppliers, contractors, architects and other consultants for such Project and except for any amounts estimated by such Authorized Lessee Representative to be necessary for payment of any Project Costs not then due and payable, such Project has been completed and the portion of the Leased Property represented by such Project has been accepted by the Lessee. Immediately after the date of delivery of the Completion Certificate for a Project and unless otherwise provided in a Supplemental Indenture with respect to a Series of Additional Bonds, any moneys remaining in the related Project Account (except any amount that the Lessee shall have directed the Trustee to retain for any Project Costs not then due and payable and except as otherwise may be required by any Tax Certificate) shall without further authorization be transferred by the Trustee for deposit into the Bond Fund and applied by the Trustee for the purposes for which such Fund has been established under the Indenture.

The Indenture specifies a date by which each Project is to be completed as described above. If a Project is not completed on or prior to such date, the Trustee is authorized by the Indenture to use the moneys in the Project Account that relates to such Project as described above under the heading "Payments into and Disbursements from Project Fund" above.

Deposit Into and Use of Moneys in Redemption Fund

All moneys to be used for redemption of Bonds (other than mandatory sinking fund redemptions) shall be deposited into the Redemption Fund.

Use of Moneys in Insurance Fund

All Net Proceeds of performance or payment bonds, proceeds (including any moneys derived from the Risk Management Fund and any self–insurance program) from policies of insurance required by the Lease or condemnation awards, or any proceeds resulting from a default under a Project contract (except liquidated damages) or any other contract relating to the Leased Property that are received by the Trustee shall be deposited into the Insurance Fund. An Authorized Lessee Representative shall file an Officer's Certificate with Trustee, within 90 days after the occurrence of the event giving rise to such Net Proceeds, directing the application and disbursement of such funds, subject to any applicable provisions of any Tax Certificate, as follows:

(a) to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of the Leased Property if such Officer's Certificate states that such Net Proceeds, together with any other funds lawfully available to the Lessee for such purpose, are sufficient to pay in full the costs of such repair, replacement, restoration, modification or improvement; or

(b) to the redemption, in whole or in part, of the principal of the 2003 Bonds in accordance with the Lease.

Liquidated damages resulting from a default by a Contractor to complete a Project in a timely fashion under the Construction Contract are to be deposited into the Bond Fund.

Moneys To Be Held In Trust

All moneys required to be deposited with or paid to the Trustee for account to any Fund referred to in any provision of the Indenture shall be held by the Trustee in trust in accordance with the terms of the Indenture.

Permitted Investments

Subject to compliance with the terms and provisions of any Tax Certificate, any moneys held as part of the Project Accounts, the Insurance Fund or any accounts therein or in any other funds or accounts under the Indenture (except the Bond Fund, the Redemption Fund and the Capitalized Interest Fund) and any moneys held as part of the 2003 Cost of Issuance Fund, shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), in any Investment Securities maturing not later than such times as shall be necessary to provide moneys when needed for payments to be made from each such Fund or other fund or account.

Moneys held as part of the Bond Fund, the Redemption Fund and the Capitalized Interest Fund, shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), only in Government Obligations maturing at such times and in such amounts as shall be necessary to pay principal of and interest on the 2003 Bonds as such become due and payable or, with respect to moneys held as part of the Bond Fund, invested in (i) a money market mutual fund that invests only in Government Obligations or (ii) the Utah State Treasurer's Investment Pool established pursuant to Chapter 7 of Title 51 of the Utah Code.

All such investments shall at all times be a part of the Fund from whence the moneys used to acquire such investments shall have come. In computing the amount in any fund or account hereunder, investments shall be valued at the market price thereof at least annually by the Trustee prior to May 1 of each year. All income and profits on such investments shall be credited to, and all losses thereon shall be charged against, such funds and accounts equal to each fund's or account's respective proportionate contribution thereto. Any such investments shall be made by the Trustee in such manner as to assure the availability of moneys to make disbursements from each Project Account on the anticipated dates of disbursement for the Project to which such Project Account relates and to make payments of the principal of, and premium, if any, and interest on, the 2003 Bonds at the times and in the amounts as provided therein.

Discharge Of Lien

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid or provision for the unconditional payment made from any source, to or for the Owners of the 2003 Bonds all principal of, and premium, if any, and interest on, the 2003 Bonds at the times and in the manner stipulated therein and in the Indenture, and if the Issuer shall not then be in default in any of the other covenants and promises in the 2003 Bonds and in the Indenture expressed or implied as to be kept, performed and observed by it or on its part, and if the Lessee shall not then be in default in any of its covenants and promises in the Lease expressed or implied as to be kept, performed and observed by it or on its part, and if the Issuer shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Indenture, then all rights and obligations of the Issuer, the Lessee and the Trustee under the Indenture, the Lease and the Site Leases shall terminate and be of no further force and effect and the Trustee shall cancel and discharge the Indenture, the Mortgages, the Lease and the Site Leases and execute and deliver to the Issuer and the Lessee such instruments in writing as shall be requisite to cancel and discharge the lien of the Indenture, and reconvey, release, assign and deliver unto the Issuer and the Lessee any and all the estate, right, title and interest in and to any property conveyed, mortgaged, assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture or the Mortgages, except (a) amounts in the Bond Fund required to be paid to the Lessee pursuant to the Indenture, (b) moneys or securities held by the Trustee for the payment of the principal of, or premium, if any, or interest on, the 2003 Bonds and (c) any moneys to be paid pursuant to any Tax Certificate.

Any Bond shall be deemed to be paid, or any portion thereof shall be deemed to be paid, within the meaning of the Indenture when payment of the principal of, and premium, if any, and interest on, the 2003 Bonds (or such portion thereof) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations (provided that such deposit does not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for Federal income tax purposes of interest on any of the 2003 Bonds or cause the Lease or any of the 2003 Bonds to be classified as arbitrage bonds within the meaning of Section 148(a) of the Code), which are not callable at the option of the issuer thereof prior to their maturity and which mature and bear interest in such amounts and at such times as will provide such amounts and at such times as will insure the availability of sufficient moneys to make such payment on and prior to the redemption date or maturity date, as the case may be. If the 2003 Bonds are not to be paid on the next succeeding Bond Payment Date, proper notice of redemption shall have been previously mailed as provided in the Indenture or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail notice of redemption as provided in the Indenture. At such time as a Bond shall be deemed to be paid, it shall no longer be secured by or entitled to the benefits of the Indenture or the Mortgages, except for the purposes of registration and exchange of Bonds and of any such payment from such moneys or Government Obligations.

Possession, Use And Partial Release Of Leased Property

Subordination of Lease to the Indenture and the Mortgages

As provided in the Lease, the Lease and the Lessee's interest in the Leased Property and its interest as lessee under the Lease shall at all times be subject to the lien of the Indenture and the Mortgages; *provided, however*, that so long as no Event of Default under the Lease or an Event of Nonappropriation has occurred and is then continuing, the Lease shall remain in full force and effect notwithstanding such subordination, and the Lessee shall not be disturbed by the Issuer or the Trustee in its possession, use and enjoyment of the Leased Property during the term of the Lease or in the enjoyment of its rights under the Lease.

Release of Sites

The Issuer and the Lessee have reserved the right in the Lease to withdraw certain portions of the sites on which any of the Facilities are located (including portions or all of the State Facilities Expansion Site) from the terms of the Lease and the lien of the Indenture. The Trustee shall release from the lien of the Indenture any such portions of the sites upon compliance with the provisions of the Lease. See "THE PROJECT—Release Of Portions Of Facilities" in the text of the OFFICIAL STATEMENT to which this APPENDIX B is attached.

Granting or Release of Easements

In accordance with the Lease, the Lessee may grant or release easements and take other action upon compliance with the terms and conditions of the Lease. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights–of–way and other rights and privileges permitted by the Lease.

Events Of Default And Remedies

Events of Default Defined

The occurrence of any of the following events shall constitute an "Event of Default" under the Indenture:

(a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity date thereof, by acceleration or call for redemption or otherwise; or

(b) Default in the payment of any interest on any Bond when the same shall become due and payable; or

(c) The occurrence of any Event of Nonappropriation or Event of Default as each such term is defined in the Lease or the occurrence of an event of default under any Mortgage; or

(d) Subject to the provisions of the Indenture, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the 2003 Bonds contained and the continuance thereof for a period of 60 days after written notice to the Issuer and the Lessee given by the Trustee or to the Trustee, the Issuer and the Lessee by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding.

Notice of Certain Defaults; Opportunity of Lessee to Cure Certain Defaults

Anything in the Indenture to the contrary notwithstanding, no default described in paragraph (d) under "Events of Default Defined" above will constitute an Event of Default until actual notice of such default by registered or certified mail has been given by the Trustee or by the Owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding to the Issuer and the Lessee, and the Lessee has had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and has not corrected said default or caused said default to be corrected, or if said default be such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

Remedies Upon Default

Upon the occurrence and continuance of any Event of Default, the Trustee shall have all the rights and remedies with respect to the Trust Estate as the Issuer, as lessor, has against the Leased Property and the Lessee under the pertinent provisions of the Lease and subject to the restrictions and limitations therein provided. Upon the occurrence and continuance of any Event of Default, the Trustee may, and at the written request of Owners of not less than 25% in aggregate principal amount of the 2003 Bonds then Outstanding shall, declare the principal amount of the 2003 Bonds then Outstanding to be immediately due and payable, whereupon such principal amount shall, without further action, become and be immediately due and payable, anything in the Indenture, any Mortgage or in the 2003 Bonds to the contrary notwithstanding; *provided, however,* that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease to pay Rentals only during the term of the Lease and in the amounts and at the times as provided in the Lease. The Trustee shall give notice of such declaration of acceleration to the Lessee and the Issuer and, upon receipt of indemnity satisfactory to it, shall give notice thereof by Mail to Owners of all Bonds then Outstanding.

Upon the occurrence and continuance of any Event of Default specified in paragraphs (a), (b), or (c) under the heading "Events of Default Defined" above, the Trustee shall, without any action on the part of the Owners of the 2003 Bonds, or upon the occurrence and continuance of an Event of Default specified in paragraph (d) under the heading "Events of Default Defined" above, and at the written request of Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding the Trustee shall, give notice to the Lessee to vacate the Leased Property immediately as provided in the Lease, with or without terminating the term of the Lease thereunder except as to the Lessee's possessory interests in the Leased Property under the Lease. The Trustee may, and at the written request of Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, commence an action to foreclose the lien of the Indenture as a mortgage in the manner herein provided and as permitted by law against the Trust Estate, commence an action or actions to foreclose any Mortgage or Mortgages in the manner therein provided and as permitted by law against the Issuer's right, title and interest in the Leased Property in such manner and order as the Trustee may determine, and take one or any combination of the following additional remedial steps:

(a) The Trustee may terminate the Lease or the Lessee's possessory rights thereunder (without otherwise terminating the Lease), re–enter the Leased Property and eject all parties in possession thereof therefrom and relet the Leased Property (subject to the Site Leases), all as provided in the Lease;

(b) The Trustee may, subject to compliance with the applicable provisions of the "one action rule" set forth in Chapter 37 of Title 78 of the Utah Code, recover from the Lessee:

(i) the portion of Base Rentals and Additional Rentals that are or would otherwise have been payable under the Lease during any period in which the Lessee continues to use, occupy and operate the Leased Property or any portion thereof; and

(ii) Base Rentals and Additional Rentals that are or would otherwise have been payable by the Lessee under the Lease during the remainder, after the Lessee vacates the Leased Property, of the Renewal Term in which such Event of Default occurs for which Term the Lessee had lawfully appropriated moneys for purposes of paying such Base Rentals and Additional Rentals; *provided, however,* that if the Trustee does not proceed to sell the Leased Property reasonably promptly after such Event of Default, the Trustee shall be obligated to the Lessee to use the Trustee's best efforts to lease or sublease the Leased Property for the remainder of such Renewal Term, and the Net Proceeds of such leasing and subleasing shall be offset against the amount recoverable from the Lessee as described under this subparagraph (ii);

(c) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Leased Property, or any part thereof, in its own name or in the name of the Issuer, and do any acts that the Trustee deems necessary or desirable to preserve the value, marketability or rentability of the Leased Property, or part thereof or interest or space therein, increase the income therefrom or protect the security thereof and, with or without taking possession of the Leased Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any obligations secured by the Indenture, all in such order as the Trustee may determine;

(d) In conformity with the Indenture, exercise all rights of the Issuer in its capacity as lessor under the Lease, including the right to lease all or any part of the Leased Property (subject to the Site Leases) in the name and for the account of the Issuer, to collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, any taxes and assessments and other charges prior to the lien of the Indenture that the Trustee may deem it wise to pay and all expenses and costs of repairs and improvements to the Leased Property and apply the remainder of the moneys so received in accordance with the Indenture;

(e) Exercise any or all of the remedies available to a secured party under the Utah Uniform Commercial Code, as then in effect, with respect to property subject to the Indenture or any Mortgage that is covered by such Code; and

(f) Exercise the option provided to the Trustee (as assignee of the Issuer, in its capacity as ground lessee under the Site Leases, pursuant to the Indenture) with respect to any Site Lease to purchase the Site that is the subject of such Site Lease.

B judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Default hereunder only as to the liabilities described in paragraph (b) above. Notwithstanding anything set forth in the Lease, the Mortgages or the Indenture to the contrary, any Event of Default consisting of a failure by the Lessee to vacate the Leased Property by the expiration of the Initial Term or the Renewal Term during which an Event of Nonappropriation occurs shall not result in any liability for Base Rentals or Additional Rentals allocable to any period other than the period in which the Lessee continues to use, occupy and operate the Leased Property or any portion thereof and to that extent only.

Other Remedies

Upon the occurrence of an Event of Default, the Trustee may, as an alternative, either after entry or without entry, pursue any available remedy by suit at law or equity to enforce the payment of the principal of, and premium, if any, and interest on, the 2003 Bonds then Outstanding, including, without limitation, foreclosure and mandamus and an action for specific performance of any agreement contained in the Indenture.

Upon the occurrence of an Event of Default, if requested to do so by the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided herein, the Trustee shall exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Owners; provided that the obligation of the Trustee to accelerate the principal of the 2003 Bonds shall be subject to the provisions set forth under the heading "Remedies Upon Default" above.

Remedies Not Exclusive

No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy in the Indenture, by any other agreement or by law provided or permitted, but each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. Every power or remedy given by the Indenture, any Mortgage, the Lease or any Site

Lease, or to which the Trustee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee, and the Trustee may pursue inconsistent remedies.

Limitation on Remedies

Notwithstanding anything to the contrary, no deficiency judgment upon foreclosure or exercise of other remedies may be entered against the Issuer or the State (as Lessee or otherwise) or any of its political subdivisions, provided that the Lessee shall remain liable to pay Rentals for any period that it uses, occupies and operates the Leased Property, and the Trustee shall be entitled to recover such Rentals from the Lessee as provided in the Indenture.

No breach of any covenant or agreement in the Indenture or the Lease shall impose any general obligation or liability upon, nor a charge against the general credit or taxing power of, the State (in its capacity as Lessee or otherwise) or any of its political subdivisions.

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the 2003 Bonds, and shall do so upon the written request of the Owners of more than 50% in aggregate principal amount of all Bonds then Outstanding, subject to the provisions of the Indenture.

Rights and Remedies of Owners of the 2003 Bonds

Except in the case of a failure of the Trustee to accelerate payment of principal of the 2003 Bonds pursuant to the provisions of the Indenture described under the heading "Remedies Upon Default" above, no Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or the enforcement of any Mortgage or for the appointment of a receiver or any other remedy under the Indenture or under any Mortgage, unless (a) a default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, (b) such default has become an Event of Default and the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such Owners have offered to the Trustee indemnity as provided for in the Indenture and (d) the Trustee thereafter has failed or refused to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name or in the name of such Owners. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2003 Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or the Mortgages or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law, the Indenture and any applicable Mortgage.

Limitations Of Liability

Limitations of Liability of Issuer

The Trustee and the Owners agree to look solely to the Trust Estate, including the Leased Property and the Revenues, for the payment of the obligations of the Issuer under the Indenture. However, nothing contained in the Indenture shall limit, restrict or impair the rights of the Owners of the 2003 Bonds or the Trustee to exercise all rights and remedies provided under the Indenture, the Mortgages, the Lease or any Site Lease or otherwise realize upon the Trust Estate and the Trustee may join the Issuer and the Lessee and their officers, trustees, agents and employees, in their capacities as officers, trustees, agents and employees of the Issuer or the Lessee, as defendants in any legal action it undertakes to enforce its rights and remedies under the Indenture.

Limitations of Liability of Lessee

Nothing in the Indenture shall be construed to require the Lessee to appropriate any money for the performance of any obligation under the Indenture or under the Lease. No provision of the Indenture shall be construed or interpreted as creating a general obligation or other indebtedness of the State (in its capacity as Lessee or otherwise) or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery and performance of the Lease nor the issuance of the 2003 Bonds directly or indirectly obligates the Lessee to make any payments under the Indenture or under the Lease beyond those appropriated for the Lessee's then current Fiscal Year or to pay the Option Price or any portion thereof.

Supplemental Indentures; Waivers

Supplemental Indentures Without Consent of the Owners of the 2003 Bonds

The Issuer and the Trustee from time to time and at any time with the prior written consent of the Lessee, but without the consent of or notice to any Owners and subject to the restrictions contained in the Indenture, may enter into an indenture or indentures supplemental thereto and that shall thereafter form a part thereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Issuer;

(b) to subject to the lien of the Indenture additional Property and Revenues hereafter acquired by the Issuer and intended to be subjected to the lien of the Indenture and to correct and amplify the description of any Property and Revenues subject to the lien of the Indenture;

(c) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect;

(d) to cure any ambiguity or cure, correct or supplement any provision contained in the Indenture or in any Supplemental Indenture that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture or to make such other provisions in regards to matters or questions arising under the Indenture or any Supplemental Indenture as shall not adversely affect in a material way the interest of any Owner;

(e) to comply with any additional requirements necessary to maintain the excludability from gross income for Federal income tax purposes of interest on the 2003 Bonds; or

(f) to authorize the issuance of Additional Bonds and provide the terms therefor, including such provisions as are necessary in connection with the terms required to issue Variable Rate Bonds.

Waivers and Consents by Owners; Supplemental Indentures with Owners' Consent

Upon the prior written waiver or consent of the Owners of at least 66 2/3% in aggregate principal amount of the 2003 Bonds then Outstanding, (a) the Issuer may take any action prohibited, or omit the taking of any action required, by any of the provisions of the Indenture or any Supplemental Indenture, or (b) the Issuer and the Trustee may enter into an indenture or indentures supplemental thereto for the purpose of adding, changing or eliminating any provisions of the Indenture or of any Supplemental Indenture thereto or modifying in any manner the rights and obligations of the Owners of the 2003 Bonds and the Issuer; provided that no such waiver or supplemental indenture shall (i) impair or affect the right of any Owner to receive payments or prepayments of the principal of, and premium, if any, and interest on, such Owner's Bond, as provided therein and in the Indenture, without the consent of such Owner, (ii) permit the creation of any Lien with respect to any of the Trust Estate, without the consent of the Owners of all the 2003 Bonds at the time Outstanding, (iii) effect the deprivation of the Owner of any Bond of the benefit of the liens of the Indenture or any Mortgage upon all or any part of the Trust Estate without the consent of such Owner, (iv) reduce the aforesaid percentage of the aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or supplemental indenture pursuant to the Indenture, without the consent of the Owners of all of the 2003 Bonds at the time Outstanding or (v) modify the rights, duties or immunities of the Trustee without the consent of the Trustee and the Owners of all of the 2003 Bonds at the time Outstanding.

Amendment Of Lease And Site Leases

Amendments to Lease or Site Leases Not Requiring Consent of Owners

The Issuer and the Lessee may, with the prior written consent of the Trustee, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Lease or any Site Lease as may be required (a) by the provisions of the Lease, any Site Lease or the Indenture; (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease or any Site Lease; (c) in order to more precisely identify the Leased Property or any portion thereof or to add additional or substituted improvements or properties acquired in accordance with the Lease, any Site Lease or the Indenture; (d) in connection with any other change in the Lease or any Site Lease that, in the judgment of the Trustee, does not adversely affect in a material way the interests of the Trustee or any Owner; (e) for the purposes of complying with additional requirements necessary to maintain the excludability from gross income for Federal income tax purposes of interest on the 2003 Bonds or (f) in connection with the issuance of Additional Bonds, including such provisions as are necessary to provide for Variable Rate Rentals.

Amendments to Lease or Site Leases Requiring Consent of Owners

Except for the amendments, changes or modifications described in the preceding paragraph, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Lease or any Site Lease without mailing of notice and the prior written approval or consent of the Owners of not less than 66 2/3% in aggregate principal amount of the 2003 Bonds at the time Outstanding.

THE LEASE

Term Of The Lease

Commencement of the Term of the Lease

The initial term of the Lease commenced as of September 1, 1994, and expired on June 30, 1995 (the “Initial Term”), subject to the Lessee’s option to extend the term of the Lease for additional and consecutive one–year renewal terms commencing July 1, 1995, and a final renewal term commencing July 1, 2024, and ending May 16, 2025. The Lessee has exercised its option to extend the term of the Lease and is currently in the ninth Renewal Term which expires on June 30, 2004. The terms and conditions of the Lease during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Base Rentals will be as specified in Schedules attached to the Lease, as such Schedules may be revised as provided in the Indenture.

Each option shall be exercised automatically by the enactment into law of a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient (after taking into account any moneys legally available for such purpose, including, but not limited to, such moneys as may be legally available from non–lapsing appropriations in the Fiscal Year prior to such Renewal Term) to pay the Base Rentals (using for purposes of computing any Variable Rate Rentals, a projected interest cost based upon the formula contained in the Supplemental Lease providing for such Variable Rate Rentals) and reasonably estimated Additional Rentals (calculated as provided in the Lease) for the next succeeding Renewal Term as provided in the Lease. The enactment into law of such State budget, after compliance with the procedures required by applicable law, shall automatically extend the term of the Lease for the succeeding Renewal Term without any further action required by any official, officer or employee of the Lessee or any other Person.

The option to renew may not be exercised at any time during which an Event of Default or an Event of Nonappropriation (except as otherwise provided in the Lease as described under the heading “Rentals Payable—Nonappropriation” below) has occurred and is then continuing under any of the terms of the Lease; *provided, however*, that if the Event of Default complained of (money payments excepted) is of such nature that the same is curable but not within the period allowed for curing such Event of Default, then the right of the Lessee to exercise the option to renew shall not be suspended if the Lessee shall have promptly commenced within such period to comply with the provisions of the Lease that shall have been breached by it and if and so long as the Lessee shall, with diligence and continuity, proceed to cure such Event of Default.

Expiration or Termination of the Term of the Lease

The term of the Lease will expire or terminate, as appropriate, as to the Lessee's right of possession of the Leased Property as described in the next paragraph upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (which is not thereafter waived by the Trustee); (b) on the Optional Payment Date on which the deposit is made of the purchase price by the Lessee for Leased Property to be purchased pursuant to the Lease; (c) an Event of Default and a termination of the term of the Lease as to the possessory interest of the Lessee as provided in the Lease; (d) discharge of the Indenture as therein provided; or (e) May 16, 2025, which date constitutes the day following the last Bond Payment Date of the final Renewal Term of the Lease, or such later date as all Rentals required under the Lease and the Bonds shall be paid.

The expiration or termination of the term of the Lease as to the Lessee's right of possession and use of the Leased Property as described in the preceding paragraph shall terminate all obligations of the Lessee thereunder (except to the extent that the Lessee incurred any obligation to pay Rentals from moneys theretofore appropriated and available for such purpose) and shall terminate the Lessee's rights of use, occupancy and operation of the Leased Property (except to the extent of any conveyance of the Leased Property to the Lessee purchased by the Lessee as provided in the Lease. All other terms of the Lease and the Indenture, including all obligations of the Trustee with respect to the Owners of the 2003 Bonds and the receipt and disbursement of funds, shall be continuing until the lien of the Indenture is discharged or foreclosed, as provided in the Indenture. The termination or expiration of the term of the Lease as to Lessee's right of possession and use shall not in itself discharge the lien of the Indenture.

Rentals Payable

Rentals Payable–General

The Lessee shall pay the Base Rentals and the Additional Rentals (but shall not be entitled to prepay or cause to be prepaid any such Base Rentals or Additional Rentals, except as otherwise expressly provided in the Lease) in the amounts, at the times and in the manner set forth in the Lease, said amounts constituting in the aggregate the total of the annual Rentals payable under the Lease, as follows:

(a) *Base Rentals*. The Lessee agrees, subject to the availability of appropriations of funds to it therefor and other moneys legally available for the purpose, to pay to the Trustee for the account of the Lessee in arrears during each Renewal Term (i) the principal component of the Base Rentals payable in annual installments on May 1 of each year as set forth in the Lease and (ii) interest component of the Base Rentals payable in installments on May 1 and November 1 of each year as set forth in the Lease. The Base Rentals shall be paid for the right to the use, occupancy and operation of the Leased Property during the term of the Lease. The Lessee agrees to pay the Base Rentals in accordance with the Base Rental Payment Schedule set forth in the Lease as it may be revised from time to time by such amounts as are necessary to reflect the redemption of the principal of Bonds (other than mandatory sinking fund redemptions) or to pay the principal of and interest on Additional Bonds.

(b) *Additional Rentals.* In addition to the Base Rentals, and as part of the total Rentals during the term of the Lease, the Lessee shall pay on a timely basis, but only from legally available funds appropriated for such purposes or otherwise legally available therefor, to the parties entitled thereto an amount or amounts (the "Additional Rentals") for each Renewal Term, equivalent to the sum of the following:

(i) the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, any Mortgage and any Tax Certificate;

(ii) the reasonable fees and charges of the Trustee, any paying agent and any registrar appointed under the Indenture with respect to the 2003 Bonds for acting as trustee, paying agent and registrar as provided in the Indenture;

(iii) the reasonable fees and charges of the Trustee for extraordinary services rendered and extraordinary expenses incurred by it as Trustee under the Indenture;

(iv) the reasonable fees and out–of–pocket expenses of the Lessor relating to the Leased Property not otherwise required to be paid by the Lessee under the terms of the Lease;

(v) the costs of maintenance, operation and repair with respect to the Leased Property and utility charges as required under to the Lease and any costs to repair, rebuild or replace the Leased Property as provided in the Lease;

(vi) the costs of casualty, public liability, property damage and workers' compensation insurance as required under to the Lease and the costs related to any self–insurance carried or required to be carried as provided in the Lease;

(vii) the costs of taxes and governmental charges and assessments as required under the Lease;

(viii) an amount equal to any franchise, succession, capital levy or transfer tax, or any income, excess profits or revenue tax, or any other tax, assessment, charge or levy (however denominated), if any shall ever become due, levied, assessed or imposed by the State or any political subdivision thereof upon the Base Rentals payable under the Lease or the Option Price (if paid) or upon the Leased Property, any portion thereof or any of the Revenues;

(ix) any amount of interest required to be paid on any of the foregoing items as a result of the Lessee's failure to pay any such items when due or any amount of interest required to be paid pursuant to the Lease; and

(x) any additional payment required to be made pursuant to any Tax Certificate to maintain the excludability from gross income for Federal income tax purposes of interest on any Bonds, together with an amount equal to all costs and expenses incurred by the Issuer to calculate or cause to be calculated the amount of any required payment, or otherwise to comply with the provisions of any Tax Certificate.

(c) *Prepayment of Base Rentals and Partial Redemption of Bonds.* The Lease expressly reserves to the Lessee the right, and the Lessee is authorized by the Lease, to prepay Base Rentals in addition to the Base Rentals otherwise payable under the Lease solely for the purpose of redeeming a Series of Bonds in part pursuant to the Indenture. Such additional Base Rentals shall be deposited into the Redemption Fund and applied to the redemption of the Series of Bonds in part in the manner and to the extent provided in the Indenture. See "THE 2003 BONDS—Redemption Provisions For The 2003 Bonds" in the body of the OFFICIAL STATEMENT to which this APPENDIX B is attached.

(d) *Allocation of Base Rentals.* Each payment of Base Rentals on a regularly scheduled Base Rental Payment Date shall be allocated and applied to each of the portions of the Base Rentals relating to the leasing of the respective Facilities as part of the Leased Property as provided in the Lease (each such portion being the "Amortization Payments" with respect to its related Facility) in the respective amounts set forth in the Base Rental Payment Schedule attached to the Lease. B partial payment of such Base Rentals on a regularly scheduled Base Rental Payment Date shall be allocated pro rata among such payments and shall be treated as a corresponding reduction to the amount payable with respect to each Facility. Prepayments of Base Rentals in part to effect a partial redemption of a Series of Bonds as described in paragraph (c) above shall be applied to a reduction of Base Rentals in the same manner as such Series of Bonds are redeemed in part and shall be allocated either (i) to the Amortization Payments for the Facilities or (ii) pro rata among the Amortization Payments for all Facilities financed by such Series of Bonds.

(e) *Reductions to Option Price.* The allocation of payments and prepayments of Base Rentals to Amortization Payments for a Facility as provided in the Lease shall reduce correspondingly the Option Price for that Facility.

Covenant to Request Appropriations

During the term of the Lease, the Lessee covenants and agrees (i) to include in its annual appropriation request, or to cause to be included in the annual appropriation request of those State Bodies to which all or any portion of the

Leased Property is subleased as permitted by the Lease, to the Governor of the State for inclusion in the Governor's budget submitted to the Legislature, a request or requests for the amount necessary (after taking into account any moneys then legally available for such purpose) to pay the Base Rentals, including variable rate rentals, and reasonably estimated Additional Rentals for the Leased Property during the next succeeding Renewal Term, (ii) to submit a copy of such request or requests for appropriation to the Utah Legislative Fiscal Analyst and (iii) to take such further action (or cause the same to be taken) as may be necessary or desirable to assure that the final budget submitted to the Legislature for its consideration seeks an appropriation of moneys sufficient to pay such Base Rentals and Additional Rentals for each such Renewal Term.

To effect the covenants described in the preceding paragraph, the Lessee has in the Lease directed the Director to include in each such request submitted to the Governor and to cause to be included in the annual appropriation request of those State Bodies to which all or any portion of the Leased Property is subleased, items for all payments required for the ensuing Renewal Term under the Lease. The Lessee expresses its intention in the Lease that the decision to renew or not to renew the term of the Lease is to be made solely by the Legislature at the time the Legislature considers for adoption the final budget for each of the Fiscal Years of the State and corresponding Renewal Terms under the Lease, and not by any official or officials of the Lessee or any State Body, acting in his, her or their respective capacity as such. The Lessee covenants and agrees that it shall not amend, modify or otherwise change the appropriations made in any finally adopted budget for the payment of any Rentals without the express prior approval of the Legislature.

In the event that any Rentals to be paid by the Lessee to the Trustee are insufficient to pay any Base Rentals payable under the Lease or principal of or interest on the 2003 Bonds when due, the Lessee shall request that the Governor submit a request to the Legislature to appropriate additional funds to the Lessee or to any State Body that is subleasing a portion of the Leased Property for the payment of increased Rentals as authorized by Section 63–9a–8 of the Act.

Limitations on Liability

Nothing in the Lease shall be construed to require the Legislature to appropriate any money to pay any Rentals or the Option Price or any portion thereof. If the Lessee fails to pay any portion of the Rentals that are due under the Lease or an Event of Default under the Lease or an Event of Nonappropriation occurs, the Lessee shall immediately (but in no event earlier than the expiration of the Initial Term or the then current Renewal Term for which the Lessee has paid or appropriated moneys sufficient to pay all Rentals due for such Renewal Term, in the case of an Event of Nonappropriation) quit and vacate the Leased Property in accordance with the schedule therefor provided by the Lessee to the Trustee in accordance with the Lease, and its obligation to pay any Rentals (except for Rentals theretofore appropriated and then available for such purpose) shall thereupon cease. Neither the State (in its capacity as Lessee or otherwise) nor any political subdivision thereof is obligated to pay any Rentals due to the Lessor or the Option Price or any portion thereof.

Should the Lessee fail to pay any portion of the required Rentals and then fail immediately to quit and vacate the Leased Property, the Trustee in accordance with the Indenture or any Mortgage may immediately bring legal action to evict the Lessee from the Leased Property (but not for money damages except as provided in the Lease and in the Indenture) and commence proceedings to foreclose the lien of the Indenture and any Mortgage pursuant to their respective provisions. The Lessee agrees, to the extent permitted by law, to pay as damages for its failure immediately to quit and vacate the Leased Property upon termination of the then current Renewal Term, as the case may be, of the Lease in violation of the terms thereof and Section 63–9a–8 of the Act an amount equal to the Base Rentals otherwise payable during such period prorated on a daily basis and any reasonable Additional Rentals attributable to such period on the basis of the services provided.

Nothing in the Lease shall be construed to provide the Trustee or any Owners with any recourse against any Facilities or any portion thereof released from the security interests and lien under the Lease and under the Indenture and any Mortgage pursuant to the Lease. No judgment may be entered against the State (in its capacity as Lessee or otherwise) or any political subdivision of the State for failure to pay any Rentals or the Option Price or any portion thereof, except to the extent that the Lessee has theretofore incurred liability to pay any such Rentals through its actual use, occupancy and operation of the Leased Property, or through its exercise of an option that renews the Lease for an additional Renewal Term for which moneys have been appropriated, or is otherwise obligated to pay such Rentals pursuant to the Lease.

The Rentals constitute current expenses of the Lessee, and the Lessee's obligations hereunder are from year–to–year only and do not constitute a mandatory payment obligation of the Lessee in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the 2003 Bonds nor the obligation to pay Rentals under the Lease constitute or give rise to a general obligation or liability of, or a charge against the general credit or taxing power of, the State or any political subdivisions thereof. Neither the execution, delivery and performance of the Lease nor the issuance of the 2003 Bonds directly or indirectly obligates the Lessee to make any payments under the Lease beyond those appropriated for the Lessee's then current Fiscal Year.

Nonappropriation

In the event that sufficient funds (i) are not appropriated in the duly enacted State budget by the June 1 next preceding the beginning of any Renewal Term for the payment of the Base Rentals on the Base Rental Payment Dates and reasonably estimated Additional Rentals payable during such Renewal Term, or (ii) are otherwise not legally available for such purpose, then an Event of Nonappropriation shall be deemed to have occurred under the Lease. The Trustee shall declare an Event of Nonappropriation on any earlier date on which the Trustee receives an Officer's Certificate from an Authorized Lessee Representative to the effect that the Legislature has determined by official action not to renew the term of the Lease for the next succeeding Renewal Term and, absent receipt of such Officer's Certificate and if an Event of Nonappropriation has otherwise occurred under the Lease, the Trustee shall give written notice to the Lessee of any Event of Nonappropriation on or before July 1 next succeeding the expiration of the term of the Lease or such later date as the Trustee determines to be in the best interest of the Owners. Any failure of the Trustee to give such written notice to the Lessee will not prevent the Trustee from declaring an Event of Nonappropriation or from taking any remedial action that would otherwise be available to the Trustee under the Lease or under the Indenture or any Mortgage. An Event of Nonappropriation shall also be deemed to have occurred if, during any Renewal Term, any Additional Rentals shall become due for which moneys were not appropriated in the duly enacted budget, or that exceed the amount for those Additional Rentals included in such budget, and funds are not legally available (including funds legally available for such purpose under the Indenture) to the Lessee to pay such Additional Rentals by the earlier of June 30 of the then current Renewal Term or 90 days after the date on which such Additional Rentals are due.

The Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the 2003 Bonds. After June 30 of each year during the term of the Lease the Trustee shall not waive any Event of Nonappropriation that results from sufficient funds not being appropriated in the duly enacted budget for the payment of the Base Rentals that would be payable during the next succeeding Renewal Term unless the Trustee has reason to believe that appropriate officials of the Lessee and the State are diligently pursuing appropriations by the Legislature to pay such Base Rentals on a timely basis and that a delay in declaring an Event of Nonappropriation, under the circumstances, is in the best interests of the Owners of the 2003 Bonds. If an Event of Nonappropriation shall occur, the Lessee shall not be obligated to make payment of the Base Rentals or Additional Rentals provided for in the Lease beyond the last day of the Renewal Term during which such Event of Nonappropriation occurs, except for the Lessee's obligation to pay Rentals that are payable prior to the termination of the Lease. The Lessee shall continue to be liable for the amounts payable pursuant to the Lease during such time when the Lessee continues to use, occupy and operate the Leased Property.

The Trustee shall, upon the occurrence of an Event of Nonappropriation and foreclosure of the lien of the Indenture or any Mortgage, have all rights and remedies to take possession of the Leased Property as trustee for the benefit of the Owners of the 2003 Bonds and shall be further entitled to all moneys then on hand in all funds and accounts created under the Indenture. All property, funds and rights acquired by the Trustee upon the termination of the Lessee's possessory interests under the Lease by reason of an Event of Nonappropriation shall be held by the Trustee under the Indenture for the benefit of the Owners of the 2003 Bonds until the principal of, and premium (if any) and interest on, the 2003 Bonds are paid in full.

Upon the occurrence of an Event of Nonappropriation (which is not waived) or an Event of Default (which is not waived), the Lessee shall have all responsibility for vacating the Leased Property and shall vacate the Leased Property immediately following such occurrence. Within 10 days after the occurrence of an Event of Nonappropriation or an Event of Default, the Lessee shall provide the Trustee with a timetable for vacating the Leased Property, which timetable shall provide that the Lessee shall completely vacate the Leased Property no later than June 30 of the then current Renewal Term.

Acquisition, Construction And Financing Of The Projects

The Lessor shall complete or cause the completion of the Projects, all in accordance with the applicable Project Documents. For this purpose, the Lessor has entered into the Agency Agreement with the Lessee, as the Lessor's agent, and may enter into amendments to such Agency Agreement or enter into other Agency Agreements relating to Additional Facilities. The Lessor or its agent for this purpose shall require the Contractor or Contractors who are or have been awarded the Project Contract or Contracts to provide a faithful performance bond and a labor and material payment bond satisfactory to the Lessor or such agent conditioned upon substantial completion of the respective Projects as expeditiously as reasonably possible from the date of execution of the Lease and also conditioned upon delivery of possession of the Leased Property to the Lessee free and clear of all liens and encumbrances, except Permitted Encumbrances, easements and restrictions in the record title accepted by the Lessee.

In the event that a Project is not completed as described above under the caption "THE INDENTURE—Revenues And Funds–Completion of the Projects; Delivery of Completion Certificate," as evidenced by delivery of a Completion Certificate with respect to such Project, the Trustee shall, upon 30 days' written notice to the Lessee, be authorized, but not required, to complete the Project from any moneys then remaining in the Project Account related to such Project.

If an Event of Nonappropriation or an Event of Default shall occur prior to the delivery of the Completion Certificate for a Project, the moneys remaining in the Project Account relating to such Project may be utilized by the Trustee to complete such Project or, upon termination of the term of the Lease as to the possessory interest of the Lessee, may be disbursed as provided in the Indenture.

The Lessee covenants in the Lease, to the extent permitted by applicable law, to use other legally available funds and to seek additional legally available funds to the extent necessary to complete the Projects as required in the Lease, or to make certain design changes in the Projects (so long as such changes do not cause the Leased Property to be used for purposes other than lawful governmental purposes of the Lessee) to the extent necessary to complete the Projects with moneys then available for such purposes in the respective Project Accounts.

Maintenance And Operation

The Lessee shall, at its own expense, maintain, manage and operate the Leased Property and all improvements thereon in good order, condition and repair, and suffer no waste or injury to any of the Leased Property, ordinary wear and tear excepted. The Lessee shall provide or cause to be provided all security service, custodial service, janitor service, power, gas, telephone, light, heating and water, and all other public utility services. The Lessor, the Trustee and the Owners shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the term of the Lease. The Lessee shall keep the Leased Property and any and all improvements thereto free and clear of all liens, charges and encumbrances, except those caused or consented to by the Trustee and Permitted Encumbrances. The Lessee shall pay for all damage to the Leased Property, its fixtures and appurtenances due to any act or omission or cause whatsoever.

Insurance Provisions

The Lessee shall at all times maintain or cause to be maintained with responsible insurers all such insurance on the Leased Property that is customarily maintained with respect to properties of like character against accident to, loss of or damage to such properties. Notwithstanding the generality of the foregoing, the Lessee shall not be required to maintain or cause to be maintained any insurance that is not available from reputable insurers on the open market, except as required by the Lease, or more insurance than is specifically referred to below.

The Lessee shall during any period of completing each Project and thereafter so long as the Lessee has possession of the Leased Property:

(i) Keep or cause to be kept a policy or policies of insurance against loss or damage to the Leased Property resulting from fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such perils ordinarily defined as "extended coverage" and other perils as the Trustee and the Lessee may agree should be insured against on forms and in amounts satisfactory to each. Such insurance may be carried in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Lessee. Such extended coverage insurance shall, as nearly as practicable, also cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be maintained in an amount not less than the principal amount of the then Outstanding Bonds or the full insurable value of the Leased Property (such value to include amounts spent for completing the Projects and architectural, engineering, legal and administrative fees, inspection and supervision but excluding value attributable to the sites on which the Facilities are located), whichever amount is greater, subject to deductible conditions for any loss not to exceed the lesser of $500,000 or the amount available at any time for such deductible in the Risk Management Fund for any one loss;

(ii) Maintain or cause to be maintained public liability insurance against claims for bodily injury or death, or damage to property occurring upon, in or about the Leased Property, such insurance to afford protection to a limit of not less than $1 million combined single limit; *provided, however,* that nothing in the Lease shall be construed to require the Lessee to maintain or cause to be maintained any such public liability insurance for amounts greater than the limitations on such liability provided under the Utah Governmental Immunity Act, Chapter 30 of Title 63 of the Utah Code. Such insurance may be maintained under an Owners, Landlords and Tenants policy and may be maintained in the form of a minimum $1 million single limit policy covering all such risks. Such insurance may be carried in conjunction with any other liability insurance coverage carried or required to be carried by the Lessee; and

(iii) Maintain or cause to be maintained workers' compensation coverage to the extent required by law.

All insurance provided for in the Lease shall be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State, except as otherwise provided in the Lease. The Lessee may, in its discretion, insure the Leased Property under blanket insurance policies that insure not only the Leased Property but other properties as well, so long as such blanket insurance policies otherwise comply with the terms of the Lease.

The Net Proceeds of fire and extended coverage insurance shall be deposited into the Insurance Fund under the Indenture to be applied to rebuild, replace and repair the affected portion of the Leased Property or redeem Outstanding Bonds as provided in the Lease. The Net Proceeds of public liability and property damage insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

Notwithstanding anything to the contrary in the Lease, any policies of insurance or any deductible under any policies of insurance that the Lessee is required to keep or cause to be kept pursuant to the Lease may be provided through the Risk Management Fund or other self–insurance program of the State.

Taxes

The Lessor and the Lessee understand and agree in the Lease that the Leased Property constitutes public property free and exempt from all taxation in accordance with applicable law; *provided, however,* that the Lessor agrees to cooperate with the Lessee, upon written request by the Lessee, to contest any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. In the event that the Leased Property or any portion thereof or any portion of the Rentals shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body that may be secured by a lien against the Leased Property or any portion of the Rentals, an Additional Rental shall be paid by the Lessee equal to the amount of all such taxes, assessments and governmental charges then due.

Alterations, Additions And Improvements

The Lessee shall have the right during the term of the Lease to make any alterations, additions, replacements, renovations, rehabilitations or improvements of any kind, structural or otherwise, as it shall deem necessary or desirable, on or to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the Leased Property; *provided, however,* that no such alteration, addition, replacement, renovation, rehabilitation or improvement shall reduce or otherwise adversely affect the value of the Leased Property or the fair rental value thereof or materially alter or change the character or use of the Leased Property or impair the excludability of interest on the 2003 Bonds from gross income of the Owners thereof for Federal income tax purposes.

Except as described below, all such alterations, additions and improvements shall become the property of the Lessor as a part of the Leased Property and shall be subject to the Lease and the Indenture.

All of the Lessee's equipment and other personal property installed or placed by the Lessee in or on the Leased Property that is not a fixture under applicable law or that is not paid for with the proceeds of sale of the 2003 Bonds shall remain the sole property of the Lessee in which neither the Lessor, the Owners of the 2003 Bonds nor the Trustee shall have any interest.

Damage Or Destruction; Condemnation

The Lessor and the Lessee agree in the Lease that it is the intent of the parties that, after the delivery of the Completion Certificate with respect to a Project, the risk of any loss arising out of any damage, destruction or condemnation of the portion of the Leased Property represented by such Project shall be borne by the Lessee and not by the Lessor or the Owners. The Lessee covenants and agrees that in the event of any such damage, destruction or condemnation, the Lessee shall either repair, rebuild or replace the affected portion of the Leased Property to essentially its same condition before any such damage, destruction or condemnation or provide funds, either through payment of the applicable Option Price, or otherwise, but in any event only from legally available moneys for such purpose, necessary to redeem Bonds at the earliest practicable date in accordance with the Indenture.

If, during the term of the Lease, (i) the Leased Property or any portion thereof shall be destroyed, in whole or in part, or damaged by fire or other casualty or event; or (ii) title to, or the temporary or permanent use of, the Leased Property or any portion thereof or the estate of the Lessee, the Lessor or the Trustee in the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (iii) a material defect in Construction of any of the Facilities shall become apparent; or (iv) title to or the use of all or any portion of the Leased Property shall be lost by reason of a defect in title; then, subject to the provisions of the Lease, the Lessee shall continue to pay Base Rentals and Additional Rentals and to take such action as it shall deem necessary or appropriate to repair, rebuild and replace the affected portion of the Leased Property, regardless of whether the Projects, or any of them, have been completed and accepted by the Lessee.

In accordance with the Indenture, the Trustee shall cause the Net Proceeds of any insurance policies (including any moneys derived from the Risk Management Fund or other self–insurance program), performance bonds or condemnation awards with respect to the Leased Property, or Net Proceeds received as a consequence of defaults under Project Contracts (excluding liquidated damages) for the Projects, to be deposited into the Insurance Fund to be applied as provided in the Lease and in the Indenture. Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged or destroyed portion of the Leased Property by the Lessee. The balance of any Net Proceeds remaining after the repair, restoration, modification, improvement or replacement has been completed are to be deposited into the appropriate Project Account in the Project Fund, if received prior to the applicable Completion Date and, if received thereafter, are to be deposited into the Redemption Fund, except to the extent otherwise required by a Tax Certificate. The Trustee shall cause the Net Proceeds of any liquidated damages received as a consequence of a default by a Contractor to complete a Project in a timely fashion under the Construction Contract to be deposited into the Bond Fund.

If such Net Proceeds shall be insufficient to pay in full the cost of any such repair, restoration, modification, improvement or replacement, the Lessee shall, within 90 days after the occurrence of the event giving rise to such Net Proceeds, either:

(i) commence and thereafter complete the work and pay any cost in excess of the Net Proceeds, but only from Additional Rentals, in which case the Lessee agrees that it will not be entitled to any reimbursement therefor from the Trustee or the Owners of the 2003 Bonds, nor shall it be entitled to any diminution of the Base Rentals or Additional Rentals; or

(ii) if the failure to repair, rebuild or replace shall not materially detract from the value of the Leased Property, then the Lessee may discharge its obligation to repair, rebuild or replace the affected portion of the Leased Property by causing such Net Proceeds to be deposited into the Redemption Fund for the purpose of causing the extraordinary optional redemption of all or part of the 2003 Bonds, as appropriate, in accordance with the Indenture; or

(iii) apply or provide for the application of such Net Proceeds to the payment of the Option Price applicable to the affected Facilities as of the next occurring Optional Payment Date, in which case, if the Net Proceeds are insufficient to pay such Option Price, the Lessee shall pay or provide for the payment of such amounts as are necessary to equal the full Option Price applicable to such affected Facilities.

The Lessee agrees in the Lease that any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds shall be the property of the Lessor subject to the Indenture, any relevant Mortgage and the Lease, and will be included as part of the Leased Property subject to the Lease and the Indenture.

Assignments

Neither the Lease nor any interest of the Lessee therein or in the Leased Property shall, at any time after the date of the Lease, without the prior written consent of the Trustee, be mortgaged, pledged, assigned or transferred by the Lessee by voluntary act or by operation of law, or otherwise, except as specifically provided in the Lease. The Lessee shall at all times remain liable for the performance of the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or subletting that may be made.

The Lessee shall have the right, without notice to or consent of the Lessor, the Trustee or any Owner of Bonds, to further sublease or permit the use of any specified portion of the Leased Property (i) to or for the benefit of any State Bodies with respect to any of the Facilities, (ii) to or for the benefit of any political subdivision or other governmental entity of the State and (iii) to any private operator, manager or service provider on such basis, for such use and for such period as will not impair the excludibility from gross income for federal income tax purposes of interest on the 2003 Bonds. No subleasing of the Leased Property shall relieve the Lessee from its obligation to pay Rentals as provided in the Lease or relieve the Lessee from any other obligations contained therein. No such assignment or sublease may be made if the use of the portion of the Leased Property represented by such subleased Facilities by the assignee or sublessee will affect the validity of the Lease, change the character or use of the Leased Property to ones not then permitted by applicable law or impair the excludability from gross income for federal income tax purposes of interest on the 2003 Bonds.

Compliance With Environmental Laws

The Lessee covenants and agrees in the Lease to carry on the business and operations at the Leased Property in a manner that complies in all respects, and will remain in compliance, with all federal, State, regional, county or local laws, statutes, rules, regulations or ordinances concerning public health, safety or the environment, but only to the extent applicable to the Lessee.

Amendments, Changes And Modifications

Subject to certain limitations contained in the Lease, the Lessor and the Lessee may make, from time to time, without the consent of the Trustee or the Owners of the 2003 Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the Facilities are located as the Lessor and the Lessee mutually agree to be necessary and desirable to facilitate the use and development by the Lessee, its successors, permitted sublessees and assigns, of such sites.

The Lease may be amended at any time by written agreement of the Lessor and the Lessee (regardless of any assignments of the Lessor's interests), with the prior written consent of the Trustee, but without notice to or the consent of the Owners of the 2003 Bonds pursuant to the Indenture, (a) whenever, in the opinion of counsel satisfactory to the Trustee and the Lessee, the contemplated amendment is necessary to cause the Lease to comply with Utah law or to cause interest on the 2003 Bonds to be or remain excludible from gross income for Federal income tax purposes, (b) whenever the effect of such amendment is solely to add further, additional or improved security to the rights of the Trustee and the Owners of the 2003 Bonds, (c) whenever the amendment shall not prejudice in any material respect the rights of the Owners of the 2003 Bonds then Outstanding or (d) otherwise for any of the purposes permitted by the Indenture. See "THE INDENTURE—Amendment Of Lease And Site Leases" above.

Lessee's Options To Purchase The Leased Property

The Lessee may, if no Event of Default has occurred and is then continuing under the Lease, purchase the Leased Property or any portion thereof representing separate Facilities, subject to the terms of the Lease, on each Optional Payment Date by delivering written notice during the term of the Lease to the Trustee not less than forty–five (45) days prior to each Optional Payment Date indicating the Lessee's intention so to purchase the Leased Property or a portion thereof representing such Facilities.

The purchase price for the Leased Property in its entirety to be paid by the Lessee to exercise the option granted in the Lease shall be an amount equal to (i) the Option Price applicable on such Optional Payment Date as indicated on the Option Price Schedule, plus interest on the 2003 Bonds to the Optional Payment Date, premium on the 2003 Bonds applicable on such Optional Payment Date, if any, and fees and expenses that must be paid to retire the then Outstanding Bonds, (ii) all costs of transferring title to the Leased Property to the Lessee and (iii) all other reasonable costs and expenses incidental thereto.

The purchase price for a portion of the Leased Property representing separate Facilities shall be an amount equal to (i) the portion of the Option Price applicable to such Facilities on such Optional Payment Date as indicated in the Option Price Schedule attached to the Lease, plus the portion of interest on the 2003 Bonds allocable to such Facilities to the Optional Payment Date, premium (if any) on the 2003 Bonds to be prepaid from amounts deposited to pay such purchase price and fees and expenses related to a partial redemption of the then Outstanding Bonds, (ii) all costs of releasing the lien of the Indenture and the applicable Mortgage with respect to, and transferring title to, the Facilities to be purchased to the Lessee and (iii) all other reasonable costs and expenses incidental thereto. Nothing in the Lease shall be construed to create any obligation of the Lessee to purchase the Leased Property or any such separate Facilities.

Events Of Default; Remedies

Events of Default Defined

Any of the following shall be an "Event of Default" under the Lease:

(a) Failure by the Lessee to pay any Base Rentals or other payment obligations required to be paid under the Lease with respect to the 2003 Bonds at the times specified therein as the respective due dates therefor; or

(b) Failure by the Lessee to pay any Additional Rentals during the term of the Lease for a period of 30 days after written notice specifying such failure and requesting that it be remedied shall be received by the Lessee from the Trustee; or

(c) Failure by the Lessee to vacate the Leased Property by the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation occurs; or

(d) Failure by the Lessee to observe and perform any covenant, condition or agreement in the Lease on its part to be observed or performed, other than as referred to in the Lease, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; *provided, however,* that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; or

(e) Any representation or warranty (i) made by the Lessee or by the Lessor pursuant to the Lease or (ii) contained in any certificate delivered in connection with the Lease, shall prove to have been false or misleading in any material respect when made; or

(f) The entry of an order or decree in any court of competent jurisdiction enjoining or restraining any of the Projects or enjoining, restraining or prohibiting the Lessee from consummating the transactions contemplated by the Lease, which order or decree is not vacated and which proceedings are not discontinued within 60 days after the granting of such order or decree.

The foregoing provisions of the Lease are subject to the following limitations: (i) the obligations of the Lessee to make payments of the Base Rentals and the Additional Rentals shall be subject to the provisions of the Lease with respect to an Event of Nonappropriation; and (ii) if, by reason of Force Majeure (defined below), the Lessee shall be unable in whole or in part to carry out any agreement on its part contained in the Lease (other than the obligations of the Lessee to pay Base Rentals and Additional Rentals), the Lessee shall not be deemed in default during the continuance of such inability. The Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out its agreement; *provided, however,* that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Lessee.

The term "Force Majeure" means the following: acts of God; strikes, lockouts or other disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the State or any of their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; partial or entire failure or unavailability of utilities; or any other cause or event not reasonably within the control of the Lessee.

Remedies on Default

Upon the occurrence and continuance of any Event of Default under the Lease or an Event of Nonappropriation, the Trustee shall give notice to the Lessee to vacate the Leased Property immediately (but in no event earlier than the expiration of the then current Renewal Term for which the Lessee has paid or appropriated moneys sufficient to pay all Rentals due for such Renewal Term, in the case of an Event of Nonappropriation) and shall, without any further demand or notice, (i) terminate the Lease or the Lessee's possessory rights under the Lease (without otherwise terminating the Lease), re–enter the Leased Property and eject all parties therefrom, and relet the Leased Property or commence proceedings to foreclose on and liquidate, relet or sell the Leased Property; (ii) exercise any of the remedies provided to the Trustee upon the occurrence of an Event of Default under the Indenture or any applicable Mortgage as the Trustee shall determine to be in the best interests of the Owners; or (iii) take any action at law or in equity deemed necessary or desirable to enforce its and the Owners' rights with respect to the Leased Property and the Lessee.

Upon the termination of the term of the Lease or the Lessee's possessory interests in the Lease by reason of an Event of Nonappropriation or an Event of Default, all moneys then held in any fund or account under the Indenture and any Net Proceeds received on any foreclosure, liquidation, reletting or sale shall be held by the Trustee for the benefit of the Owners of the 2003 Bonds (and applied from time to time as provided in the Indenture). Notwithstanding anything in the Lease to the contrary, the Trustee shall be entitled to relet the Leased Property for such period (not exceeding the term of any applicable Site Lease) as is necessary for the Trustee to obtain sufficient moneys to pay in full the principal of, and premium (if any) and interest on, the 2003 Bonds, and the obligations of the Trustee with respect to the Owners of the 2003 Bonds and the receipt and disbursement of funds shall be continuing until the liens of the Indenture and the Mortgages are discharged as provided in the Indenture and the Mortgages except as a result of foreclosure.

The Trustee shall give preference in liquidating, reletting or selling the Leased Property (subject to the Site Leases) provided therein to those lessees or buyers of the Leased Property whose use or ownership of the Leased Property would preserve the excludability from gross income for Federal income tax purposes of interest on the 2003 Bonds.

Limitations on Remedies

With the sole exception of the obligation of the Lessee to pay Base Rentals and Additional Rentals attributable to any period during which the Lessee shall actually use, occupy and operate the Leased Property, or for which the Legislature has appropriated funds for such purpose, no judgment requiring the payment of money not subject to the lien of the Indenture may be entered against the Lessee by reason of any Event of Default or an Event of Nonappropriation under the Lease. In the event the term of the Lease is terminated as a result of an Event of Default or an Event of Nonappropriation, no deficiency judgment may be entered against the Lessee, except as otherwise expressly herein provided with respect to the Lessee's actual use, occupancy and operation of the Leased Property. The Lessee shall not be under any obligation in respect to any creditors, shareholders or security holders of the Lessor (including the Owners of the 2003 Bonds), and no remedy or other provision herein or in the Indenture or in any Mortgage provided shall be construed to provide any such remedy or to create or impose any such obligation.

AMENDMENTS TO THE INDENTURE AND THE LEASE

Amendments To The Indenture

The Fifth Supplemental Indenture of Trust entered into by the Authority in conjunction with the issuance of the 1998A Bonds contains amendments to the Indenture that, among other things, permit the creation of a security interest for the benefit of the Trustee in Additional Facilities consisting of a variety of personal property (including, without limitation, vehicles and equipment) that may be financed under the Indenture, and made conforming changes to the condemnation, remedy and termination provisions of the Indenture to reflect the personal property nature of such Additional Facilities. In order to finance Additional Facilities consisting of personal property, the amendments further provide that the Authority may issue Additional Bonds without regard to the requirement to provide title insurance, if the Authority submits to the Trustee a certificate stating that such Additional Facilities or portions thereof to be financed or refinanced are of such a nature that obtaining title insurance thereon is impractical or impossible.

The amendments also provide that the Authority may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without subjecting such Additional Facilities or portions thereof to any additional Mortgages or supplements to existing Mortgages and without providing title insurance thereon, if the Authority submits to the Trustee a certificate stating and demonstrating that (a) the Additional Facilities or portions thereof to be financed or refinanced are of such a nature that would make an additional Mortgage or a supplement to an existing Mortgage impractical and (b) the value to the Lessee of the Facilities and Additional Facilities or portions thereof that are subject to Mortgages is sufficient to secure all Outstanding Bonds and the Additional Bonds to be issued.

The amendments broaden the definition of “Excepted Property” to include Additional Facilities in which the Trustee has not been given a lien or security interest as provided in the relevant Supplemental Indenture.

Amendments to the Lease

The Fifth Amendment to the Lease entered into by the Authority in conjunction with the issuance of the 1998A Bonds contains amendments to the Lease that, among other things, make conforming changes to the condemnation, remedy and termination provisions of the Indenture applicable to Additional Facilities that consist of personal property. The amendments also provide that, notwithstanding any other provisions of the Lease to the contrary, in the event that a lien on or a security interest in, any Facility constituting a portion of the Leased Property has not been granted to the Trustee under a Mortgage, the Lessee shall not be required to surrender, quit or vacate such Facility under any circumstance except as otherwise required by the Act.

The Ninth Amendment to the Lease, entered into by the Authority in conjunction with the Series 2001C Bonds, makes the Letter of Credit Bank (Landesbank Hessen–Thüringen Girozentrale acting through its New York Branch (the “Bank” or “Helaba”)), a party to the Ninth Amendment and provides rights to the Bank and additional duties on the Lessee in respect to the Bank.

APPENDIX C

DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH

GENERAL INFORMATION

This appendix has been summarized from information which is contained in the *2003 Economic Report to the Governor* (the "2003 ERG") and on data from the 2002 calendar year. *However, the Governor's Office of Planning and Budget ("GOPB") has updated the various sections contained in this appendix with the latest information available.* The 2003 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 2003 ERG has been generated by members of the State Council of Economic Advisors. A complete copy of the 2003 ERG may be obtained on the internet or by contacting GOPB, 801.538.1027, fax 801.538.1547, email rellis@utah.gov.

TOPOGRAPHICAL INFORMATION

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 12th among the states in total area, the State contains approximately 82,143 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).

ECONOMIC INDICATORS

Demographics

The State's 2002 population was 2,316,256 persons, according to the U.S. Census Bureau. Although the State continues to experience net in–migration, natural increase accounts for the majority of the State's population growth. The State's population growth is characterized by a high birth rate and low death rate, both at record levels for the State in 2002.

According to the 2000 Census, the State's population increased 29.6% from1990 to 2000, growing twice as fast as the U.S. over the decade. The State ranked 4th among states in population growth from 1990 to 2000. The State also continues to have a distinctive demographic profile: the population is younger, women tend to have more children, people on average live in larger households, and people tend to survive to older ages in comparison to other states.

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State Population

Year	Population	% Change From Prior Period
2002 Estimate (1)	2,316,256	3.7%
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	8.1

(1) U.S. Bureau of the Census

(Source: 2003 ERG.)

Components of Population Change in the State

Fiscal Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2002	48,041	12,662	35,379	7,411	42,790
2001	47,688	12,437	35,251	14,167	49,418
2000	46,880	11,953	34,927	18,612	53,539
1999	45,434	11,636	33,798	17,584	51,382
1998	44,126	11,648	32,478	9,745	42,223
1997	42,512	11,249	31,263	25,253	56,516
1996	40,495	11,001	29,494	18,171	47,665
1995	39,064	10,581	28,483	20,024	48,507
1994	37,623	10,411	27,212	30,116	57,328
1993	36,738	10,055	26,683	24,561	51,244

(Source: 2003 ERG.)

Significant Characteristics of the State's Population

Category	Ranking	Comments
State population (2000)	Ranked as the 34th state	out of 50 states
age (under five years old)	Ranked highest in the U.S.	9.4%
age (five to 17)	Ranked 2nd highest in the U.S.	22.8%
age (18 to 64)	Ranked 2nd lowest in the U.S.	59.3%
age (over age 65)	Ranked 2nd lowest in the U.S.	8.5%
Median age (2000)	Ranked youngest in the U.S.	27.1 years
Fertility rate (2001)	Ranked highest in the U.S.	2.51 births/woman
Birth rate (2000)	Ranked highest in the U.S.	21.9 births/1,000 population
Death rate (2000)	Ranked 2nd lowest in the U.S.	5.7 deaths/1,000 population
Dependency ratio (2000)	Ranked 2nd in the U.S.	68.6 per 100 of working age
Population in metropolitan areas (2000)	Ranked 36th highest in U.S.	59.7%
Household size (2000)	Ranked largest in the U.S.	3.13 persons/household

(Sources: U.S. Bureau of the Census and GOPB)

Employment, Wages And Labor Force

The State's economic slowdown in 2002 paralleled that of the U.S., and continued into 2003 with a slow, jobless recovery. One consequence of the recent economic slump has been a significant loss of jobs. Nonfarm employment fell by over 11,000 net jobs, reflecting a contraction rate of 1%. The State's 2002 unemployment rate of 6.0% was the highest in over a decade. On average, there were 67,660 people unemployed in 2002. This trend has slowly began to reverse in 2003 with an anticipated gradual recovery of the economy by 2004.

The 2002 Olympic Winter Games provided a temporary but timely relief for the State. The consistent decline in job–growth stalled in January and February, only to continue through the remainder of 2002 and into 2003.

The rapid expansion of the high technology sector during the 1990s stalled at the end of the decade, and by 2001, suffered a major decline. This impacted other areas of the economy at both the national and state level. Rapid and excessive growth during the initial period in the absence of equally high demand resulted in overcapacity and as a result, a significant contraction of the high technology sector in recent years. This trend continued into 2003, but is expected to recover by 2004.

Current Unemployment Rates

Current Unemployment Rate (1)	State	U.S.
September 2003	5.1%	6.1%
September 2002	6.2%	5.7%

(1) Seasonally adjusted.

(Source: Utah Department of Workforce Services, Workforce Information.)

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
2003 (f)	1,141,000	1,080,530	5.3%	5.7%	93%
2002 (f)	1,127,660	1,060,000	6.0	5.9	102
2001	1,115,380	1,066,700	4.4	4.8	92
2000	1,104,200	1,068,400	3.2	4.0	80
1999	1,086,100	1,045,500	3.7	4.2	88
1998	1,064,200	1,024,200	3.8	4.5	84
1997	1,040,000	1,007,700	3.1	4.9	63
1996	1,012,000	976,800	3.5	5.4	65
1995	986,600	951,400	3.6	5.6	64
1994	974,500	938,000	3.7	6.1	61

(f) forecast.

(Source: 2003 ERG.)

Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

Selected Years (in thousands)

	2003 (f)	2002 (p)	2001	2000	1999	1998	1997	% Change 02–03	% Change 01–02	% Change 00–01	% Change 99–00	% Change 98–99	% Change 97–98
Civilian labor force…………………………………	1,141.0	1,127.7	1,115.4	1,104.2	1,086.1	1,064.2	1,040.0	1.2	1.1	1.0	1.7	2.1	2.3
Employed……………………………………	1,080.5	1,060.0	1,066.7	1,068.4	1,045.5	1,024.2	1,007.7	1.9	(0.6)	(0.2)	2.2	2.1	1.6
Unemployed…………………………………	60.5	67.7	48.7	35.8	40.6	40.0	32.3	(10.6)	39.0	36.0	(11.8)	1.5	23.8
Unemployment rate……………………………	5.3%	6.0%	4.4%	3.2%	3.7%	3.8%	3.1%	–	–	–	–	–	–
Nonagricultural jobs (thousands)…………………	1,078.2	1,070.4	1,081.7	1,074.9	1,048.5	1,023.5	994.0	0.7	(1.0)	0.6	2.5	2.4	3.0
Mining…………………………………………	6.5	6.7	7.2	7.4	7.2	8.0	8.3	(3.0)	(6.9)	(2.7)	2.8	(10.5)	(3.0)
Construction…………………………………	62.3	65.0	71.6	72.2	72.8	68.3	64.5	(4.2)	(9.2)	(0.8)	(0.8)	6.7	5.8
Manufacturing………………………………	115.2	114.8	122.1	125.7	126.7	133.4	132.9	0.3	(6.0)	(2.9)	(0.8)	(5.0)	0.4
Trade, transportation, utilities…………………	215.3	214.5	219.9	218.9	213.7	58.4	56.0	0.4	(2.5)	0.5	2.4	265.7	4.4
Information……………………………………	31.5	31.3	33.5	34.9	32.6	58.4	56.0	0.6	(6.6)	(4.0)	7.1	(44.2)	4.4
Financial sactivity……………………………	63.2	63.4	62.2	58.8	59.4	58.4	56.0	(0.3)	1.9	5.8	(1.0)	1.7	4.4
Professional and business services…………	133.2	133.5	136.6	139.3	133.1	58.4	56.0	(0.2)	(2.3)	(1.9)	4.7	127.7	4.4
Education and health services…………………	116.1	113.4	109.5	101.8	98.1	58.4	56.0	2.4	3.6	7.6	3.8	67.9	4.4
Leisure and hospitality………………………	105.8	103.4	98.3	96.9	94.3	58.4	56.0	2.3	5.2	1.4	2.8	61.4	4.4
Other services……..…………………………	33.3	32.1	30.5	28.8	27.2	58.4	56.0	3.7	5.2	5.9	5.9	(53.5)	4.4
Government…………………………………	195.8	192.3	190.1	190.2	184.9	175.6	171.8	1.8	1.2	(0.1)	2.9	5.3	2.2
Transportation, communication and utilities….	–	–	–	–	–	58.4	56.0	–	–	–	–	–	4.4
Trade…………………………………………	–	–	–	–	–	244.0	238.3	–	–	–	–	–	2.4
Finance, insurance and real estate……………	–	–	–	–	–	55.3	52.6	–	–	–	–	–	5.1
Services………………………………………	–	–	–	–	–	280.4	269.7	–	–	–	–	–	4.0
Nonagricultural wages (millions)…………………	$33,600	$32,540	$32,058	$30,975	$28,828	$27,105	$25,215	3.3	1.5	3.5	7.4	6.4	7.5
Average monthly wage…………………………	$2,597	$2,533	$2,470	$2,401	$2,291	$2,207	$2,114	2.5	2.6	2.9	4.8	3.8	4.4

(f) forecast; (p) Preliminary; subject to change

(Source: 2003 ERG.)

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
Intermountain Health Care	Hospitals and clinics	22,000+
State of Utah	State government	22,000+
Brigham Young University	Higher education	15,000–20,000
University of Utah (Including Hospital)	Higher education	15,000–20,000
Hill Air Force Base	Military installation	10,000–15,000
Convergys	Telemarketing	7,000–10,000
Granite School District	Public education	7,000–10,000
Jordan School District.	Public education	7,000–10,000
Wal–Mart Stores	Department store	7,000–10,000
Alpine School District	Public education	5,000–7,000
Davis County School District	Public education	5,000–7,000
Internal Revenue Service	Federal government	5,000–7,000
Kroger Group Cooperative	Retail stores	5,000–7,000
Novus (Discover Card)	Consumer loans	5,000–7,000
Salt Lake County	County 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 Aerospace Company	Aerospace equipment manufact.	4,000–5,000
Autoliv Asp (Morton International)	Mfg. vehicle parts	4,000–5,000
Delta Airlines Inc.	Air transportation	4,000–5,000
Icon Health & Fitness	Mfg. Exercise equipment	3,000–4,000
Salt Lake City	Local government	3,000–4,000
Salt Lake City School District	Public education	3,000–4,000
United Parcel Service	Courier service	3,000–4,000
Weber County School District	Public education	3,000–4,000
Zions First National Bank	Banking	3,000–4,000
Home Depot	Building supply store	2,000–3,000
J.C. Penney Company	Department stores	2,000–3,000
Nebo School District	Public education	2,000–3,000
Pacific Corp. (Utah Power)	Electric generation/distribution	2,000–3,000
Provo City School District	Public education	2,000–3,000
Qwest Corporation	Telephone service/communications	2,000–3,000
Salt Lake Community College	Higher education	2,000–3,000
Skywest Airlines	Air transportation	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
ACS Data Entry	Data processing	1,000–2,000
Cache County School District	Public education	1,000–2,000
CR England & Sons	Trucking	1,000–2,000
Harmon's Grocery Stores	Grocery stores	1,000–2,000
K–Mart Corporation	Department stores	1,000–2,000
Kelly Services	Temporary employment placement	1,000–2,000
Kennecott Copper	Copper mining and smelting	1,000–2,000
Lifetime Products Inc.	Sporting goods manufacturing	1,000–2,000
Macey's Inc.	Food stores	1,000–2,000

(1) Annual average 2002. Includes those firms with 1,000 to 2,000 and more employees. The Church of Jesus Christ of Latter–day Saints ("LDS") remains one of the State's largest employers; however, the Church does not disclose employment numbers.

Largest Nonagricultural Employers (1)–continued

Employer	Business	Employee Range
Nestles USA Prepared Foods	Food manufacturing	1,000–2,000
Northern Utah Health (St. Marks)	Hospitals and clinics	1,000–2,000
Novell Inc.	Computer software	1,000–2,000
Ogden City School District	Public education	1,000–2,000
RC Willey Home Furnishings	Home furnishing store	1,000–2,000
Sinclair Oil Corp.	Hotels and ski resort	1,000–2,000
Super Target	Department stores	1,000–2,000
Union Pacific Railroad	Railroad	1,000–2,000
U.S. Department of Agriculture	Federal government	1,000–2,000
Utah Transit Authority	Public transportation	1,000–2,000
Wells Fargo Bank NW, N.B.	Banking	1,000–2,000
Wendy's Old Fashion Hamburgers	Restaurants	1,000–2,000

(1) Annual average 2002. Includes those firms with 1,000 to 2,000 and more employees. The Church of Jesus Christ of Latter–day Saints ("LDS") remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: Utah Department of Workforce Services, Workforce Information.)

Personal Income

The State's 2002 forecasted total personal income of $56.4 billion was up 2.7% from the 2001 total. This was below the U.S. growth forecast of 3.0%. The State's 2002 per capita income was forecasted at $24,750, an increase of 2.4% over the 2001 estimate. The State's 2001 per capita income ranked 45th among the states.

Total Personal Income (in millions)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2002 (f)	$56,366	2.7%	$8,939,000	3.0%
2001 (p)	54,884	4.3	8,678,255	3.3
2000	52,623	7.6	8,398,796	8.0
1999	48,923	4.6	7,779,511	4.9
1998	46,781	7.1	7,418,497	7.1
1997	43,696	8.3	6,928,545	6.0
1996	40,354	8.3	6,538,103	5.6
1995	37,278	7.8	6,192,235	5.3
1994	34,579	8.2	5,878,362	5.0
1993	31,950	7.3	5,598,446	4.1

(f) forecast; (p) preliminary

(Source: 2003 ERG.)

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Components of the State's Total Personal Income

	(in millions)				
	2001 (p)	2001 % of Total	% change 2000–01	2000 (r)	1999 (r)
Total personal income	$54,884	100.0%	4.3%	$52,622	$48,923
Total Earnings by place of work	42,229	76.9	3.7	40,706	38,071
Less personal cont. for social insurance	2,406	4.4	4.9	2,293	2,170
Plus residential adjustment	26	0.0	18.2	22	24
Equals: earnings by residence	39,850	72.6	3.7	38,435	35,925
Plus dividends, interest and rent	9,189	16.7	3.8	8,854	7,940
Plus transfer payments	5,845	10.6	9.6	5,334	5,058
Components of earnings	42,229	76.9	3.7	40,706	38,071
Wages and salaries	33,792	61.6	3.5	32,660	30,410
Other labor income	4,201	7.7	6.1	3,959	3,710
Proprietors' income	4,236	7.7	3.6	4,087	3,951
Farm proprietors' income	188	0.3	123.8	84	154
Nonfarm proprietors' income	4,048	7.4	1.1	4,003	3,797
Earnings by industry	42,229	76.9	3.7	40,706	38,071
Farm	297	0.5	56.3	190	251
Nonfarm	41,932	76.4	3.5	40,516	37,820
Private	34,006	62.0	2.9	33,057	28,992
Agriculture services, forestry, etc.	203	0.4	10.3	184	157
Mining	479	0.9	2.4	468	427
Construction	3,227	5.9	2.1	3,162	3,036
Manufacturing	5,263	9.6	0.1	5,260	5,028
Durable goods	3,645	6.6	(1.9)	3,714	3,528
Nondurable goods	1,618	2.9	4.6	1,547	1,500
Transportation and public utilities	3,064	5.6	2.6	2,985	2,789
Wholesale trade	2,324	4.2	(0.9)	2,345	2,172
Retail trade	4,087	7.4	2.8	3,975	3,908
Finance, insurance, real estate	3,355	6.1	6.6	3,148	2,981
Services	12,006	21.9	4.1	11,531	10,393
Government	7,926	14.4	6.3	7,459	6,928
Federal, civilian	2,068	3.8	4.3	1,982	1,776
Military	454	0.8	7.1	424	393
State	2,199	4.0	7.1	2,053	1,906
Local	3,205	5.8	6.8	3,000	2,852

(p) preliminary; (r) revised.

(Source: 2003 ERG.)

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Per Capita Personal Income

Year	Income Per Capita Utah	Income Per Capita U.S.	Annual % Change Utah	Annual % Change U.S.	Utah as a % of U.S.
2002 (f)	$24,750	$31,100	2.4%	2.1%	79.6%
2001 (p)	24,180	30,472	3.0	2.4	79.4
2000	23,476	29,770	5.7	6.8	78.9
1999	22,202	27,880	2.7	3.6	79.6
1998	21,624	26,909	4.9	5.8	80.4
1995	18,514	23,272	–	–	79.6
1990	14,996	19,584	–	–	76.6
1985	11,846	14,705	–	–	80.6
1980	8,464	10,183	–	–	83.1

(f) forecast; (p) preliminary.

(Sources: 2003 ERG.)

Gross State Product

Gross State Product ("GSP") is the market value of final goods and services produced by the labor and property located in a State. It is the regional counterpart to the national Gross Domestic Product ("GDP"). Conceptually, GSP is gross output less intermediate inputs.

Total Gross State Product

(in millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2001	$70,409	2.9%	$10,082,151	2.6%
2000	68,430	9.3	9,824,639	5.9
1999	62,635	6.0	9,274,319	5.6
1998	59,084	7.3	8,781,500	5.6
1997	55,070	6.9	8,318,400	6.5
1996	51,523	11.3	7,813,200	5.6
1995	46,290	–	7,400,500	–
1990	31,359	–	5,803,200	–
1985	24,115	–	4,213,000	–
1980	15,494	–	2,795,600	–

GSP is not available for 2002.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA").)

Gross Taxable Sales

In 2002, taxable sales growth was flat. (Taxable sales consist of final sales of most tangible personal property in the State. Taxable sales of selected services such as hotel and lodging, automobile leases, amusements and repairs to tangible personal property are also taxable in the State.) This zero–growth rate is less than what was predicted for 2001. It was predicted that a flat first half would be succeeded by two quarters of 3 to 5% growth, but a rebound in business investment has not occurred. The zero–growth rate was the lowest rate since 1986 and 1987 when taxable sales growth fell about 1.5% each year. Following four years of 10% to 12% yearly growth rates, taxable sales slowed down to growth rates between 4% and 7% between 1997 and 2000. The U.S. recession in 2001 contributed to the 2.4% gain in taxable sales. In 2002, first quarter sales rose only 0.6% despite an infusion from the 2002 Olympic Winter Games which appeared to jump start department store, miscellaneous shopping goods, and hotel sales. Second quarter sales fell almost 2%, and third quarter taxable sales were expected to be flat. Declining employment and lower wage gains have combined with falling business investment to dampen taxable sales in 2002. 2003 was off to a slow start and the State expects taxable sales to increase 4% in the second through fourth quarters. This, of course, assumes no new terrorist attacks or new geographical tensions commence.

Taxable sales can be dissected into three major components:

Retail Trade at $18.4 billion, which represents about 57% of taxable sales, is anticipated to grow 4.1% in 2002, better than the 2.5% gain in 2001, but well below the last 10–year average of 7.1%.

Taxable Business Investment and Utility Sales, at $8.1 billion, represents 25% of taxable sales and is expected to drop 6% in 2002.

Taxable Services, at $4.6 billion, was anticipated to decline 3% in 2002 and represent 14% of taxable sales. The 3% decline is in contrast to the 8.7% average gains since 1991.

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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
2003 (f)….	$19,130	3.8 %	$8,345	3.3 %	$4,607	0.1 %	$ 1,494	7.3 %	$ 33,576	3.3 %
2002 (e) …	18,427	4.1	8,076	(6.2)	4,604	(2.1)	1,393	0.9	32,500	0.3
2001 …….	17,709	2.5	8,611	2.9	4,702	(0.9)	1,380	10.4	32,402	2.4
2000……..	17,278	4.8	8,372	6.8	4,746	9.1	1,250	(5.0)	31,646	5.5
1999……..	16,493	5.3	7,839	1.4	4,351	5.6	1,316	15.7	29,999	4.7
1998……..	15,657	5.3	7,729	9.7	4,122	10.7	1,137	(4.3)	28,645	6.8
1997……..	14,873	3.3	7,044	2.4	3,724	3.6	1,188	22.7	26,828	3.8
1996……..	14,404	10.1	6,878	10.4	3,594	12.1	968	(11.4)	25,844	9.5
1995……..	13,080	8.1	6,231	11.1	3,205	14.4	1,093	7.3	23,609	9.7
1994……..	12,097	10.0	5,609	13.2	2,802	12.1	1,019	14.2	21,527	11.3

(e) estimate; (f) forecast.

(Source: 2003 ERG.)

Construction And Housing

The construction sector was stronger than expected in 2002. The value of permit–authorized construction (residential, nonresidential and additions, alterations and repairs) in the State was $3.7 billion, only 4% below $3.9 billion in 2001. Despite the recession, the value of residential construction reached $2.4 billion in 2002, an all–time record high. The number of new dwelling units that received building permits was 19,000. The residential sector benefited from low interest rates, which fell from 7% at the start of the year to 6% by midsummer, providing a significant financial incentive for new homebuyers. Lower interest rates did not give support to the nonresidential sector. Nonresidential construction activity fell 7% in 2002 to $900 million. However, nonresidential valuation finished higher than projected, gaining strength in the latter half of the year.

Permit–Authorized Construction

		Construction Value (millions of dollars)			
Year	Total Units	Residential	Nonresidential	Renovations	Total Valuation
2002 (e)	19,000	$2,400.0	$ 900.0	$400.0	$3,700.0
2001	19,675	2,352.7	970.0	562.8	3,885.4
2000	18,154	2,140.1	1,213.0	583.3	3,936.0
1999	20,350	2,238.0	1,195.0	537.0	3,971.0
1998	21,743	2,188.7	1,148.4	461.3	3,798.4
1997	20,687	1,943.5	1,370.9	407.1	3,721.6
1996	23,737	2,104.5	951.8	386.3	3,442.6
1995	21,558	1,854.6	832.7	409.0	3,096.3
1994	19,747	1,730.1	772.2	341.9	2,844.2
1993	17,804	1,504.4	463.7	337.3	2,305.4

(e) estimate.

(Source: 2003 ERG.)

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2003 Bonds, Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority, proposes to issue its final approving opinion in substantially the following form:

We have acted as bond counsel for the State Building Ownership Authority of the State of Utah (the "Authority") in connection with the issuance by the Authority of its $22,725,000 Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds are being issued pursuant to (i) the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3 (the "Building Authority Act"), and the Utah Refunding Bond Act, Chapter 27, Title 11, Utah Code Annotated 1953, as amended (collectively, with the Building Authority Act, the "Act"), (ii) a bond resolution of the governing body of the Authority adopted on December 10, 2003, and (iii) an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as previously amended and supplemented, and as further amended and supplemented by an Eleventh Supplemental Indenture of Trust dated as of December 1, 2003 (collectively, the "Indenture") between the Authority and Wells Fargo Bank Northwest, National Association, as Trustee. The Series 2003 Bonds are being issued for the purpose of (x) financing and refinancing the costs of acquiring and constructing certain facilities, properties and improvements (collectively, the "2003 Facilities") and (y) paying the costs associated with the issuance of the Series 2003 Bonds.

The 2003 Facilities, along with certain other facilities, properties and improvements, are to be leased by the Authority to the State of Utah (the "State") on an annually renewable basis and with an option to purchase, exercisable by the State, subject to the terms of a State Facilities Master Lease Agreement dated as of September 1, 1994 (the "Original Master Lease"), as previously amended and supplemented, and as further amended and supplemented by an Eleventh Amendment to State Facilities Master Lease Agreement dated as of December 1, 2003 (collectively, the "Lease") between the Authority and the State. Payments by the State under the Lease may be made only from funds which are appropriated by the State for such purpose. Except to the extent payable from the proceeds of the Series 2003 Bonds and income from the investment thereof, the proceeds of certain insurance policies, performance bonds, condemnation awards and liquidation proceeds, if any, the Series 2003 Bonds and the interest thereon are payable solely from, and are secured by a pledge of, rentals derived by the Authority under the Lease. The Indenture provides that the Series 2003 Bonds and the interest thereon (i) are not general obligations, but are limited obligations of the Authority, (ii) shall not constitute an indebtedness of the State within the meaning of any constitutional provision or limitation, and (iii) do not constitute or give rise to a general obligation or liability of the State or a charge against the general credit or taxing powers of the State or any political subdivision of the State. Neither the State, nor the Authority on its behalf, has pledged the credit of the State to the payment of the Series 2003 Bonds or the interest thereon or rentals under the Lease.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2003 Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2003 Bonds. The Authority and the State have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2003 Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003 Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the Authority and the State with such requirements and restrictions in rendering our opinion regarding the tax-exempt status of interest on the Series 2003 Bonds.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Authority is a body politic and corporate and is validly organized and existing under the provisions of the Building Authority Act, with powers, among others, to issue the Series 2003 Bonds and to perform its obligations under the Indenture and the Lease.

2. The Lease has been authorized, executed and delivered by the State and the Authority, and constitutes a valid and binding obligation enforceable upon the State and the Authority.

3. The Indenture has been authorized, executed and delivered by the Authority and constitutes a valid and binding obligation enforceable against the Authority.

4. The Series 2003 Bonds have been authorized by the Authority, executed and delivered by authorized officials of the Authority and are valid and binding limited obligations of the Authority, and the Series 2003 Bonds do not constitute a general obligation indebtedness of the State within the meaning of any state constitutional provision or limitation, or a charge against the general credit or taxing power of the State.

5. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

6. Interest on the Series 2003 Bonds is exempt from State of Utah individual income taxes.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Series 2003 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion as to the accuracy, adequacy or completeness of the Official Statement or any other offering material relating to the Series 2003 Bonds; and

(c) Although we have rendered an opinion that interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds may otherwise affect a bondholder's tax liability. The nature and extent of those other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds.

Respectfully submitted,

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

State of Utah
Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") is executed and delivered by the State of Utah (the "State") in connection with the issuance by the State's Building Ownership Authority (the "Authority") of $22,725,000 Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2003 (the "2003 Bonds"). The 2003 Bonds are being issued pursuant to an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as supplemented and amended (the "Indenture").

1. **Purpose Of This Agreement.** This Agreement is executed and delivered by the State as of the date set forth below, for the benefit of the beneficial owners of the 2003 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 2003 Bonds at the time the 2003 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 2003 Bonds.

2. **Definitions.** The terms set forth below, with their related undertakings, if any, shall have the following meanings and applications in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in Exhibit 1.

Audited Financial Statements means the State's Comprehensive Annual Financial Report prepared pursuant to the standards and as described in Exhibit 1.

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.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Lease means the State Facilities Master Lease Agreement dated as of September 1, 1994, as supplemented and amended, between the Authority and the State, and including any subleases that may be entered into by the State covering the same Facilities.

Material Event means the occurrence of any of the following events in connection with the Bonds, but only to the extent such event is material under the standards set forth in the Exchange Act and in court decisions defining materiality under the Exchange Act:

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 Bonds;
7. modifications to rights of Bondholders;
8. optional, contingent, or unscheduled bond calls (other than mandatory scheduled redemptions, not otherwise contingent upon the occurrence of an event);
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds; and
11. rating changes.

MSRB means the Municipal Securities Rulemaking Board, the address of which is currently 1150 18th Street, N.W., Suite 400, Washington, D.C. 20036–2491; Telephone (202) 223–9347; Fax (202) 872–0347Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. As of the date of this Agreement, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Dr
Skillman, NJ 08558
Phone: 609.279.3225
Fax: 609.279.5962
E–Mail: munis@bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: 201.346.0701
Fax: 201.947.0107
E–Mail: nrmsir@dpcdata.com

Standard & Poor's J.J. Kenny Repository
55 Water St
45th Floor
New York, NY 10041
Phone: 212.438.4595
Fax:: 212.438.3975
E–Mail: nrmsir_repository@sandp.com

FT Interactive Data
Attn: NRMSIR
100 Williams St
New York, NY 10038
Phone: 212.771.6999
Fax: 212.771.7390
E–Mail: nrmsir@ftid.com

The State shall determine, in the manner it deems appropriate, the names and addresses of the then–existing NRMSIRs and State Information Depository each time it is required to file information with such entities, and shall verify the names and addresses of all current NRMSIRs each time information is delivered to the NRMSIRs pursuant to this Agreement.

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.

State Repository means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. There is no such repository as of the date of this Agreement there is no State Information Depository.

Undertaking means the obligations of the State pursuant to Sections 4 and 5.

3. **CUSIP Numbers**. The CUSIP Numbers of the 2003 Bonds are as set forth below:

Series 2003 Bonds

Maturity (May 15)	CUSIP Number	Maturity (May 15)	CUSIP Number
2005	917547 PP 0	2016	917547 QA 2
2006	917547 PQ 8	2017	917547 QB 0
2007	917547 PR 6	2018	917547 QC 8
2008	917547 PS 4	2019	917547 QD 6
2009	917547 PT 2	2020	917547 QE 4
2010	917547 PU 9	2021	917547 QF 1
2011	917547 PV 7	2022	917547 QG 9
2012	917547 PW 5	2023	917547 QH 7
2013	917547 PX 3	2024	917547 QJ 3
2014	917547 PY 1	2025	917547 QK 0
2015	917547 PZ 8		

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 1) to each NRMSIR and to the State Information Depository, if any. The State is required to deliver such information in such manner 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 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 each NRMSIR and the State Information Depository, if any) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. **Material Events Disclosure.** Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate in a timely manner disclosure of Material Events to each NRMSIR or to the MSRB and to the State Information Depository, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any 2003 Bonds or defeasance of any 2003 Bonds need not be given under this Agreement any earlier than the date of the notice, if any, of such redemption or defeasance given to the holders of the 2003 Bonds.

6. **Consequences Of the State's Failure To Provide Information as Required.** The State shall give notice in a timely manner to each NRMSIR or to the MSRB and to the State Information Depository, if any, 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 2003 Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default or an Event of Default under the Indenture, 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.

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 in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;

(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 2003 Bonds, as determined either by parties unaffiliated with the State or the Authority (such as the Trustee).

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 2003 Bonds under the Indenture. The State shall give notice in a timely manner if this Section is applicable to each NRMSIR or to the MSRB and to the State Information Depository, if any.

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.

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 requirement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

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 2003 Bonds, and shall create no rights in any other person or entity.

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.

13. **Assignment.** The State shall not transfer its obligations under the Lease unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

14. **Governing Law.** This Agreement shall be governed by the laws of the State of Utah.

15. **Source of Information**. The persons from whom the information, data, and notices described in Sections 4 and 5 can be obtained is (a) the Treasurer of the State of Utah, 215 State Capitol Building, Salt Lake City, Utah 84114, telephone: 801.538.1042, and (b) a Trust Officer of the Bond Registrar, at Wells Fargo Bank, Northwest, N.B., 79 S Main St, Salt Lake City, UT 84111; telephone: 801.246.5822.

State of Utah

/s/ Edward T. Alter

By: Edward T. Alter, State Treasurer

Exhibit I

Annual Financial Information, Audited Financial Statements, And Timing Of Future Financial Information

"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 each NRMSIR and to the SID, if any, 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 from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. 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 each NRMSIR and to the SID, if any, 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, 2003. 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" means the State's Basic Financial Statements. The State's Basic Financial Statements for the fiscal year ended June 30, 2003 are contained in Appendix A of the Official Statement.

Audited Financial Statements will be prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any 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.

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APPENDIX F

BOOK–ENTRY SYSTEM

DTC, the world's largest 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 2 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

Purchases of the 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2003 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 2003 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 2003 Bonds, except in the event that use of the book–entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 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 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 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 2003 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2003 Bond documents. For example, Beneficial Owners of the 2003 Bonds may wish to ascertain that the nominee holding the 2003 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 2003 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 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's 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 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

As long as the book–entry system is in effect, redemption proceeds, distributions, and dividend payments on the 2003 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 nor its nominee, 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 Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2003 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, 2003 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, 2003 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book–entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

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