New Issue **Ratings:** Moody's "Aaa" (MBIA Insured; underlying "Aa1")
Standard & Poor's "AAA" (MBIA Insured; underlying "AA+")
See "BOND INSURANCE" and "MISCELLANEOUS—Bond Ratings" herein.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the 2007A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the 2007A 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 2007A Bonds. See "LEGAL MATTERS—Tax Exemption" herein.

State of Utah,
State Building Ownership Authority

$15,380,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2007A

payable from lease payments to be made, subject to annual appropriation, by the

State of Utah

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

The $15,380,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2007A (the "2007A Bonds") are issued by the State Building Ownership Authority (the "Authority"), a body corporate and politic of the State of Utah (the "State"), as fully–registered bonds and will be initially issued in book–entry form through The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2007A Bonds.

Principal of and interest on the 2007A Bonds (interest payable May 15 and November 15 of each year, commencing November 15, 2007) are payable by Wells Fargo Bank, N.A., Corporate Trust Services, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See "THE 2007A BONDS—Book–Entry System" herein.

The 2007A Bonds are subject to optional, mandatory sinking fund and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities, as defined herein) prior to maturity. See "THE FACILITIES—The 2007A Facilities" and "THE 2007A BONDS—Redemption Provisions For The 2007A Bonds" herein.

The 2007A Bonds are being issued to finance a portion of the cost of the acquisition of real estate and the acquisition, construction, improvements and equipping of certain building facilities, the payment of capitalized interest and the payment of the costs associated with the issuance of the 2007A Bonds. The 2007A Bonds and certain other Bonds, as described herein, previously issued by the Authority (the "Prior Parity Bonds") 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 "Facilities").

Pursuant to the Lease, the State has agreed to pay annual Base Rentals, as defined herein, which are sufficient to pay the principal of and interest on the 2007A Bonds and the Prior Parity Bonds, coming due in each year, but only if and to the extent that the Utah State Legislature appropriates funds sufficient to pay such Base Rentals plus such Additional Rentals, as defined herein, as are necessary to operate and maintain the Facilities. 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") 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 principal of and interest on the 2007A 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 2007A 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.

The scheduled payment of principal of and interest on the 2007A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2007A Bonds by MBIA Insurance Corporation. See "BOND INSURANCE" herein.

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 2007A Bonds.

The 2007 Bonds were awarded pursuant to competitive bidding received by means of the PARITY® electronic bid submission system on Thursday, June 28, 2007 as set forth in the OFFICIAL NOTICE OF BOND SALE, dated June 12, 2007 to Piper Jaffray & Co., Minneapolis, Minnesota, at a "true interest rate" of 4.60%.

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 June 28, 2007, and the information contained herein speaks only as of that date.

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[1] The anticipated date of delivery is Tuesday, July 10, 2007.

$15,380,000 Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2007A

Dated: Date of Delivery[1] **Due: May 15, as shown below**

$6,620,000 Serial Bonds

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield	Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield
2009…..	SN 2	$295,000	4.25%	3.87%	2015…..	SU 6	$645,000	4.50 %	4.14%
2010…..	SP 7	520,000	4.25	3.92	2016…..	SV 4	665,000	4.50	4.20
2011…..	SQ 5	545,000	4.25	3.97	2017…..	SW 2	695,000	4.50	4.26
2012…..	SR 3	565,000	4.25	4.01	2018…..	SX 0	735,000	4.25	4.37
2013…..	SS 1	585,000	4.25	4.05	2019…..	SY 8	760,000	4.375	4.45
2014…..	ST 9	610,000	4.25	4.09					

$1,630,000 5.00% Term Bond due May 15, 2021—Price 104.262% (CUSIP 917547 TA 9)

$1,795,000 5.00% Term Bond due May 15, 2023—Price 103.758% (CUSIP 917547 TC 5)

$1,980,000 5.00% Term Bond due May 15, 2025—Price 103.341% (CUSIP 917547 TE 1)

$3,355,000 5.00% Term Bond due May 15, 2028—Price 103.091 (CUSIP 917547 TH 4)

[1] The anticipated date of delivery is Tuesday, July 10, 2007.

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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 2007A Bonds (as defined herein) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon. All information contained herein has been obtained from the State, The Depository Trust Company, New York, New York 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 2007A Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the Authority or State since the date hereof.

The 2007A Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

The yields at which the 2007A Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s) may allow concessions or discounts from the initial offering prices of the 2007A Bonds to dealers and others. In connection with the offering of the 2007A Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2007A Bonds. Such transactions may include overallotments in connection with the purchase of 2007A Bonds, the purchase of 2007A Bonds to stabilize their market price and the purchase of 2007A Bonds to cover the successful bidder's (s') short positions. Such transactions, if commenced, may be discontinued at any time.

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 Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "project," "forecast," "expect," "estimate," "budget" or other similar words.

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

OFFICIAL STATEMENT RELATED TO

State of Utah,
State Building Ownership Authority

$15,380,000 Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2007A

payable from lease payments to be made, subject to annual appropriation, 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 $15,380,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2007A (the "2007A Bonds").

This introduction is only a brief description of the 2007A Bonds and the security and source of payment for the 2007A 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. Accordingly, the OFFICIAL STATEMENT should be read in its entirety. The offering of the 2007A Bonds to potential investors is made only by means of the entire OFFICIAL STATEMENT.

When used herein, the terms "Fiscal Year[s] 20YY," and "Fiscal Year[s] End[ed][ing] June 30, 20YY" refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding year and the terms "Calendar Year[s]" or "Calendar Year[s] End[ed][ing] December 31, 20YY" refer to the year beginning on January 1 and ending on December 31 of the year indicated. Capitalized terms used but not otherwise defined herein have the same meaning as given to them in the Lease and the Indenture as hereinafter defined. See "APPENDIX D—BASIC DOCUMENTATION–DEFINITIONS OF CERTAIN TERMS."

The Authority

The Authority was established by and operates pursuant to the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3 (the "Building Ownership Act"), Utah Code Annotated 1953, as amended (the "Utah Code"). The Authority was created in 1979 for the purpose of acquiring, constructing, or improving 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 2007A Bonds; Prior Parity Bonds

The 2007A Bonds are being issued pursuant to: (i) Section 63B–15–201 of the Utah Code (the "2006 Bonding Act"), Section 63B–16–201 of the Utah Code (the "2007 Bonding Act"), and other applicable State law (collectively, with the Building Ownership Act, the "Act"); (ii) resolutions adopted by the Authority on May 10, 2007 (the "Parameters Resolution") and on June 28, 2007 (the "Final Bond Resolution" and, together with the Parameters Resolution, the "Resolutions") which provide for the authorization, issuance, sale and delivery of the 2007A Bonds; and (iii) an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, as thereafter amended and supplemented (collectively, the "Indenture"), between the Authority and Wells Fargo Bank, N.A., Corporate Trust Services, Salt Lake City, Utah, as trustee (the "Trustee").

The 2007A Bonds are being issued to finance the acquisition of real estate and the acquisition, construction, improvements and equipping of certain building facilities (hereinafter described), the payment of capitalized interest and the payment of the costs associated with the issuance of the 2007A Bonds. See "THE 2007A BONDS—Estimated Sources And Uses Of Funds" and "THE FACILITIES—The 2007A Facilities" below.

The Authority has previously issued 16 series of Bonds under the Indenture (collectively, the "Prior Parity Bonds"), 14 of which are currently outstanding, to finance and refinance the cost of various projects, which projects may include a variety of personal property (collectively, the "Facilities" or "Leased Property") pursuant to the Act.

As of July 10, 2007 (the anticipated closing date of the 2007A Bonds), the outstanding aggregate principal amount of the Prior Parity Bonds will be $297,185,000 (exclusive of the 2007A Bonds).

The 2007A Bonds will be issued on a parity basis, and will be equally and ratably secured under the Indenture with (i) the outstanding Prior Parity Bonds, and (ii) any Additional Bonds which may be issued from time to time pursuant to the Indenture. *The 2007A Bonds, the Prior Parity Bonds, and any Additional Bonds issued pursuant to the Indenture are sometimes collectively referred to herein as the "Bonds."* See "THE 2007A BONDS—Security And Sources Of Payment For The 2007A Bonds–Additional Bonds; Refunding Bonds" below and "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE–Additional Bonds."

The Authority has leased all of the 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").

Security For The 2007A Bonds; Cross Collateralization

The 2007A Bonds are limited obligations of the Authority, payable solely from the revenues and other amounts received pursuant to the Lease and other funds or amounts held by the Trustee pursuant to the Indenture as security for the 2007A Bonds. See "THE 2007A BONDS—Security And Sources Of Payment For The 2007A Bonds" below.

The State has agreed to make payments pursuant to the Lease in stated amounts which are sufficient to pay the principal and interest on the 2007A Bonds when due (the "Base Rentals"), but only if and to the extent that the Utah State Legislature (the "Legislature") has appropriated funds sufficient to pay the Base Rentals coming due during each succeeding Renewal Term (as described herein) of the Lease plus such additional amounts as are necessary to operate and maintain the Facilities during such period (the "Additional Rentals" and collectively, with the Base Rentals, the "Rentals"). The Lease specifically provides that nothing therein shall be construed to require the Legislature to appropriate any money to pay any Rentals thereunder and that neither the State nor any political subdivision thereof is obligated to pay such Rentals except to the extent of funds appropriated for that purpose. Neither the obligation of the State to pay Rentals nor the obligation of the Authority to pay the principal of and interest on the 2007A 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 2007A 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 "THE 2007A BONDS—Security And Sources Of Payment For The 2007A Bonds" and "RISK FACTORS" below.

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 Facilities (except any exempted property) and its right to receive the Base Rentals as lessor under the Lease, as security for the payment of the principal of, premium, if any, and interest on the 2007A 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 FACILITIES—Cross–Collateralization" below, subject to the release of any of the Facilities upon the terms and conditions described under "THE FACILITIES—Release Of Portions Of Facilities" below.

Redemption Provisions

The 2007A Bonds are subject to optional, mandatory sinking fund and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities), prior to maturity. See "THE 2007A BONDS—Redemption Provisions For The 2007A Bonds" and "THE FACILITIES" below.

Tax–Exempt Status Of The 2007A Bonds

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the 2007A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations.

Bond Counsel is also of the opinion that interest on the 2007A 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 2007A Bonds.

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 2007A Bonds:

Independent Auditors

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

Bond Counsel

Ballard Spahr Andrews & Ingersoll LLP
201 S Main St Ste 600
Salt Lake City UT 84111–2215
801.531.3000 | f 801.531.3001
wadeb@ballardspahr.com

Professional Services–continued

Trustee, Registrar and Paying Agent

Wells Fargo Bank, N.A.
Corporate Trust Services
299 S Main St 12th Fl
Salt Lake City UT 84111
801.246.5930 | f 801.246.5996
laurel.r.bailey@wellsfargo.com

Disclosure Counsel

Chapman and Cutler LLP
201 S Main St Ste 2000
Salt Lake City UT 84111–2266
801.536.1401 | f 801.533.9595
scott@chapman.com

Financial Advisor

Zions Bank Public Finance
Zions Bank Building
One S Main St 18th Fl
Salt Lake City UT 84111–1904
801.844.7373 | f 801.844.4484
eric.pehrson@zionsbank.com

Conditions On Delivery, Anticipated Date, Manner, And Place Of Delivery For The 2007A Bonds

The 2007A 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, to the Authority and the State, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General and Chapman and Cutler LLP, as Disclosure Counsel to the Authority. It is expected that the 2007A Bonds, in book–entry form, will be available for delivery in Salt Lake City, Utah, for deposit with DTC or its agent on Tuesday, July 10, 2007.

Risks Inherent In The Ownership Of The 2007A Bonds

The purchase of the 2007A Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2007A 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 investment risks are described under “RISK FACTORS” below.

Continuing Disclosure

The State will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the Owners of the 2007A Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the provisions of paragraph (b)(5) of Rule 15c2–12 (the “Rule”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Undertaking in “APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

The State is in compliance with each and every undertaking previously entered into by Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Indenture and, in the event of such failure, Owners of the 2007A Bonds will be limited to the remedies provided in the Undertaking. See “APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.” Any such a failure may adversely affect the marketability of the 2007A Bonds.

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Authority, the State, the 2007A 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 2007A 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 2007A Bonds. Descriptions of the Indenture, the Lease and the 2007A 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 D—BASIC DOCUMENTATION." The "basic documentation" which includes the Resolutions, the closing documents for the 2007A Bonds, the Indenture, the Lease and other documentation, authorizing the issuance of the 2007A Bonds and establishing the rights and responsibilities of the Authority, the State and other parties to the transaction, may be obtained from the "contact persons" as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, the chief contact person for the Authority and the Division of Facilities Construction and Management ("DFCM") concerning the 2007A Bonds is:

Alyn C. Lunceford, Real Property and Debt Manager
alunceford@utah.gov

DFCM
4110 State Office Bldg
Salt Lake City UT 84114
801.538.3799 | f 801.538.3267

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the 2007A Bonds is:

Edward T. Alter, Utah State Treasurer, and
Board Member and Secretary of the Authority
ealter@utah.gov

Utah State Treasurer
Utah State Capitol Complex
East Office Bldg Ste E315
(PO Box 142315)
Salt Lake City UT 84114–2315
801.538.1042 | f 801.538.1465

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

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

Zions Bank Public Finance
Zions Bank Building
One S Main St 18th Fl
Salt Lake City UT 84111–1904
801.844.7373 | f 801.844.4484

BOND INSURANCE AT BIDDER'S OPTION

The Authority applied to Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw–Hill Companies, Inc. ("S&P") for a rating on the 2007A Bonds based upon the Authority's credit and not upon the presence of bond insurance. The successful bidder, Piper Jaffray & Co., Minneapolis, Minnesota, at their request and expense, purchased municipal bond insurance to insure the 2007A Bonds. The 2007A Bonds have been rated "Aaa" (MBIA Insured) by Moody's and "AAA" (MBIA Insured) by S&P. Additionally, Moody's and S&P have given the 2007A Bonds an underlying rating of "Aa1" and "AA+," respectively. The Authority will pay the rating fee to Moody's and S&P with respect to its rating on the 2007A Bonds.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this OFFICIAL STATEMENT. Reference is made to "APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the 2007A Bonds or the advisability of investing in the 2007A Bonds.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2007A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2007A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2007A Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2007A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the 2007A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other trustee for the 2007A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a 2007A Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2007A Bonds or presentment of such other proof of ownership of the 2007A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2007A Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the 2007A Bonds in any legal proceeding related to payment of insured amounts on the 2007A Bonds, such instruments being in a form satisfactory to U.S. Bank shall disburse to such owners or the Trustee payment of the insured amounts due on such 2007A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. (“MBIA Mexico”), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is 914.273.4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings Of MBIA

Moody’s rates the financial strength of MBIA “Aaa.”

S&P rates the financial strength of MBIA “AAA.”

Fitch Ratings (“Fitch”) rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2007A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2007A Bonds. MBIA does not guaranty the market price of the 2007A Bonds nor does it guaranty that the ratings on the 2007A Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of $10.9 billion (audited), total liabilities of $6.9 billion (audited), and total capital and surplus of $4 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of $11.2 billion (unaudited), total liabilities of $7 billion (unaudited), and total capital and surplus of $4.2 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10–K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10–Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this OFFICIAL STATEMENT and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation Of Certain Documents By Reference

The following documents filed by the Company with the SEC are incorporated by reference into this OFFICIAL STATEMENT:

(1) The Company's Annual Report on Form 10–K for the year ended December 31, 2006; and

(2) The Company's Quarterly Report on Form 10–Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10–Q or Annual Report on Form 10–K, and prior to the termination of the offering of the 2007A Bonds offered hereby shall be deemed to be incorporated by reference in this OFFICIAL STATEMENT and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this OFFICIAL STATEMENT, shall be deemed to be modified or superseded for purposes of this OFFICIAL STATEMENT to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this OFFICIAL STATEMENT.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1–9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10–K for the year ended December 31, 2006, and (2) the Company's Quarterly Reports on Form 10–Q for the quarters ended March 31, 2007) are available (i) over the Internet at the SEC's web site at www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at the Company's web site at www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

THE 2007A BONDS

General

The 2007A Bonds will be dated the date of delivery[1] thereof (the "Dated Date") and will mature on May 15 in the years and in the amounts and pay interest on the dates and at the rates shown below.

Debt Service through Base Rental Payment Schedule. The Lease requires semi–annual Base Rental payments to be made by the State to the Authority (on May 1 and November 1 of each year), which Base Rentals have been assigned to the Trustee pursuant to the Indenture. 2007A Bond principal and/or interest payments are then paid by the Trustee on May 15 and November 15. The following table shows scheduled debt service on the 2007A Bonds through Base Rental Payments.

Due Date (Base Rental Payment)	The 2007A Bonds Principal	Interest	Period Total	Fiscal Total
November 1, 2007	$ 0.00	$ 251,844.62	$ 251,844.62	
May 1, 2008	0.00	362,656.26	362,656.26	$ 614,500.88
November 1, 2008	0.00	362,656.26	362,656.26	
May 1, 2009	295,000.00	362,656.26	657,656.26	1,020,312.52
November 1, 2009	0.00	356,387.51	356,387.51	
May 1, 2010	520,000.00	356,387.51	876,387.51	1,232,775.02
November 1, 2010	0.00	345,337.51	345,337.51	
May 1, 2011	545,000.00	345,337.51	890,337.51	1,235,675.02
November 1, 2011	0.00	333,756.26	333,756.26	
May 1, 2012	565,000.00	333,756.26	898,756.26	1,232,512.52
November 1, 2012	0.00	321,750.01	321,750.01	
May 1, 2013	585,000.00	321,750.01	906,750.01	1,228,500.02
November 1, 2013	0.00	309,318.76	309,318.76	
May 1, 2014	610,000.00	309,318.76	919,318.76	1,228,637.52
November 1, 2014	0.00	296,356.26	296,356.26	
May 1, 2015	645,000.00	296,356.26	941,356.26	1,237,712.52
November 1, 2015	0.00	281,843.76	281,843.76	
May 1, 2016	665,000.00	281,843.76	946,843.76	1,228,687.52
November 1, 2016	0.00	266,881.26	266,881.26	
May 1, 2017	695,000.00	266,881.26	961,881.26	1,228,762.52
November 1, 2017	0.00	251,243.76	251,243.76	
May 1, 2018	735,000.00	251,243.76	986,243.76	1,237,487.52
November 1, 2018	0.00	235,625.01	235,625.01	
May 1, 2019	760,000.00	235,625.01	995,625.01	1,231,250.02
November 1, 2019	0.00	219,000.00	219,000.00	
May 1, 2020	795,000.00 (1)	219,000.00	1,014,000.00	1,233,000.00

(1) Mandatory sinking fund principal payment from a $1,630,000 5.00% term bond due May 15, 2021.

[1] The anticipated date of delivery is Tuesday, July 10, 2007.

Debt Service Through Base Rental Payment Schedule–continued.

Due Date (Base Rental Payment)	The 2007A Bonds Principal	Interest	Period Total	Fiscal Total
November 1, 2020	$ 0.00	$ 199,125.00	$ 199,125.00	
May 1, 2021	835,000.00 (1)	199,125.00	1,034,125.00	$1,233,250.00
November 1, 2021	0.00	178,250.00	178,250.00	
May 1, 2022	880,000.00 (2)	178,250.00	1,058,250.00	1,236,500.00
November 1, 2022	0.00	156,250.00	156,250.00	
May 1, 2023	915,000.00 (2)	156,250.00	1,071,250.00	1,227,500.00
November 1, 2023	0.00	133,375.00	133,375.00	
May 1, 2024	965,000.00 (3)	133,375.00	1,098,375.00	1,231,750.00
November 1, 2024	0.00	109,250.00	109,250.00	
May 1, 2025	1,015,000.00 (3)	109,250.00	1,124,250.00	1,233,500.00
November 1, 2025	0.00	83,875.00	83,875.00	
May 1, 2026	1,065,000.00 (4)	83,875.00	1,148,875.00	1,232,750.00
November 1, 2026	0.00	57,250.00	57,250.00	
May 1, 2027	1,115,000.00 (4)	57,250.00	1,172,250.00	1,229,500.00
November 1, 2027	0.00	29,375.00	29,375.00	
May 1, 2028	1,175,000.00 (4)	29,375.00	1,204,375.00	1,233,750.00
Totals	$15,380,000.00	$9,668,313.60	$25,048,313.60	

(1) Mandatory sinking fund principal payment from a $1,630,000 5.00% term bond due May 15, 2021.
(2) Mandatory sinking fund principal payment from a $1,795,000 5.00% term bond due May 15, 2023.
(3) Mandatory sinking fund principal payment from a $1,980,000 5.00% term bond due May 15, 2025.
(4) Mandatory sinking fund principal payment from a $3,355,000 5.00% term bond due May 15, 2028.

Interest on the 2007A Bonds will be computed on the basis of a 360–day year of 12, 30–day months. Wells Fargo Bank, N.A., Salt Lake City, Utah ("Wells Fargo Bank"), is the initial Registrar (the "Registrar"), Paying Agent (the "Paying Agent") and Trustee with respect to the 2007A Bonds.

The 2007A 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 2007A Bonds are being issued within the statutory debt limits imposed on the Authority. See "STATE BUILDING OWNERSHIP AUTHORITY—Legal Borrowing Debt Capacity" below.

Registration, Denominations, Manner Of Payment Of The 2007A Bonds

The 2007A Bonds are issuable only as fully–registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2007A Bonds. Purchases of 2007A Bonds will be made in book–entry form, in the principal amount of $5,000 or any whole multiple thereof not exceeding the amount of each maturity, through brokers and dealers who are, or who act through, Direct Participants. Beneficial Owners of the 2007A 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 2007A Bonds. "Direct Participants," "Indirect Participants" and "Beneficial Owners" are defined in "APPENDIX G—BOOK–ENTRY SYSTEM."

Principal of and interest on the 2007A Bonds (interest payable May 15 and November 15 of each year, commencing November 15, 2007) are payable by Wells Fargo Bank, as Paying Agent and Registrar, to the Owners of the 2007A Bonds. So long as Cede & Co. is the sole registered owner, as nominee of DTC, it is required in turn to remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2007A Bonds, as described under "APPENDIX G—BOOK–ENTRY SYSTEM."

So long as DTC or its nominee is the sole registered owner of the 2007A Bonds, none of the Authority, the State, the successful bidder(s) or the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the Persons for whom they act as nominees, with respect to payments to or provision of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2007A Bonds. *Under these same circumstances, references herein and in the Indenture to the "Bondowners" or "Registered Owners" of the 2007A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2007A Bonds.*

Transfer Or Exchange Of The 2007A Bonds

No transfer or exchange of any 2007A Bonds shall be required to be made (i) during a period beginning on the Regular Record Date or the Special Record Date, as the case may be, immediately preceding any Bond Interest Payment Date and ending on such Bond Interest Payment Date or special interest payment date, (ii) during a period beginning at the opening of business 15 days before the date of the mailing of a notice of redemption of the 2007A Bonds selected for redemption and ending at the close of business on the day of such mailing, and (iii) for any 2007A Bond so selected for redemption, in whole or in part, except the unredeemed portion of such 2007A Bond being redeemed in part. Regular Record Date shall mean the first day of the month in which such Bond Interest Payment Date occurs.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2007A Bonds are estimated to be applied as set forth below:

Sources of Funds:	
Par amount of the 2007A Bonds	$15,380,000.00
Original issue premium	379,543.90
Total	$15,759,543.90
Uses of Funds:	
Deposit to Construction Fund	$14,509,000.00
Deposit to Capitalized Interest Fund	1,076,530.89
Costs of issuance (1)	105,347.65
Underwriter's discount	55,828.81
Original issue discount	12,836.55
Total	$15,759,543.90

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

Security And Sources Of Payment For The 2007A Bonds

The Lease and the Indenture. The 2007A 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 term of the Lease, which term will expire June 30, 2008, subject to the further exercise by the State, in its sole discretion, for consecutive additional one–year Renewal Terms commencing July 1 of each of the years 2008 through 2026, and a final Renewal Term commencing July 1, 2027, and ending May 16, 2028, unless terminated earlier. For circumstances under which the

Lease may be terminated, see "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Term Of The Lease."

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 2007A 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 Facilities. See "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE."

Pursuant to the provisions of the Lease, the State may, in its sole discretion, purchase all or a portion of the 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 D—BASIC DOCUMENTATION–THE LEASE–Lessee's Options To Purchase The Leased Property."

The continuation of the term of the Lease and the obligation of the State to pay Base Rentals after June 30, 2008, 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 2007A 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 2007A 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 2007A Bonds. The Authority does not have any taxing power.

So long as the Lease does not expire on June 30, 2008, 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 Facilities which are sufficient, in both time and amount, to pay, when due, the principal of and interest on the 2007A 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 (the "Governor") 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 Facilities during the next succeeding Renewal Term. See "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Rentals Payable–Covenant to Request Appropriations."

The Governor's Office of Planning and Budget reports that the budget adopted by the Legislature at its 2007 Legislative General Session included an appropriation of funds sufficient to pay Base Rentals and Additional Rentals due under the Lease during Fiscal Year 2008 (which will commence on July 1, 2007 and will end on June 30, 2008), thereby extending the term of the Lease for the current 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 2007A Bonds as and when due, as provided in the Building Ownership Act, the Governor 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 2007A 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 Leased Property. 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, the Indenture, 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 surrender, and vacate the Facilities.* The Trustee shall, upon the occurrence of an Event of Nonappropriation, have all rights and remedies to take possession of the Facilities, as trustee for the benefit of the Owners of the 2007A 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 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 "RISK FACTORS" below.

Insurance on the Facilities. The Facilities are required to be insured by the State to the extent described in "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Insurance Provisions." All Net Proceeds of performance bonds, proceeds (including any moneys derived from any self–insurance program) from policies of insurance (except the policy of public liability and property damage 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 to repair, restore, modify or improve the applicable Facilities or to redeem or defease the related Bonds, as more fully described in "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation." See "RISK FACTORS" below and "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Risk Management And Insurance" below.

No Reserve Fund for the 2007A Bonds. The Authority will not create or fund a debt service reserve fund for the 2007A Bonds.

Additional Bonds; Refunding Bonds. Additional Bonds may be issued pursuant to the Indenture on a parity with the 2007A 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 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 Facilities as the State may deem necessary or desirable and as will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds or reduce the fair rental value of the 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 Leased Property will not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for federal income tax purposes of interest on the 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 Leased Property 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, the 2007A Bonds and all 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.

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 certain conditions are met under the Indenture. See "APPENDIX D—BASIC DOCUMENTATION—THE INDENTURE–Additional Bonds."

Redemption Provisions For The 2007A Bonds

Generally. The 2007A Bonds maturing on or before May 15, 2017, are not subject to redemption prior to maturity, except that the 2007A Bonds are subject to extraordinary optional redemption in the event of damage to, or destruction or condemnation, of the Facilities.

Optional Redemption. The 2007A Bonds maturing on or after May 15, 2018, are subject to redemption (i) in whole on any business day on or after November 15, 2017, in the event that the State exercises its option pursuant to the Lease to purchase all the Leased Property (other than State–Owned Sites) or (ii) in part on November 15, 2017, 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 separate Facilities pursuant to the Lease, all as provided in the Indenture. If called for redemption as described in this paragraph, the 2007A 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 2007A Bonds to be redeemed, equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of the 2007A Bonds. The 2007A Bonds maturing on May 15, 2021; May 15, 2023; May 15, 2025; and May 15, 2028; are subject to mandatory sinking fund redemption prior to their stated maturity, in part, by lot in such manner as the Trustee shall determine to be fair and equitable, on May 15 of each year described below, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the redemption date, but without premium, in the principal amounts as set forth below:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
May 15, 2020	$ 795,000
May 15, 2021 (Final Maturity)	835,000
Total	$1,630,000
May 15, 2022	$ 880,000
May 15, 2023 (Final Maturity)	915,000
Total	$1,795,000

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
May 15, 2024	$ 965,000
May 15, 2025 (Final Maturity)	1,015,000
Total	$1,980,000
May 15, 2026	$ 1,065,000
May 15, 2027	1,115,000
May 15, 2028 (Final Maturity)	1,175,000
Total	$3,355,000

Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation. The 2007A Bonds are subject to redemption prior to maturity in whole or in part from time to time, from such maturities or portions thereof designated by the State 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 Facilities are damaged or destroyed, in whole or in part, or the Leased Property or any portion thereof is taken in a condemnation or other proceeding, or certain events occur with respect to the title to such Leased Property or construction defects in any of the Facilities 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 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 then–Outstanding Bonds in accordance with the Lease and the Indenture and provides written notice of such election to the Trustee and the Authority. If 2007A Bonds are called for extraordinary optional redemption, the 2007A Bonds to be redeemed will be redeemed on such date or dates as the Trustee may determine to be in the best interests of the Owners of the 2007A Bonds.

On the redemption date or dates determined as provided in the preceding paragraph, 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 2007A 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 2007A 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 mail at least 30 but not more than 60 days prior to the date fixed for redemption to the registered Owner of each 2007A 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 2007A Bond, shall not affect the validity of any proceedings for the redemption of any other 2007A Bond or portion thereof with respect to which no such failure has occurred. 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 2007A 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 2007A 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 2007A 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 2007A Bonds called for redemption, which moneys are or will be available for redemption of 2007A Bonds, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee 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 2007A 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 2007A Bonds in advance of their scheduled maturity date, except as may otherwise be required by any Tax Certificate, 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 2007A Bonds to be redeemed, upon presentation and surrender of such 2007A Bonds.

Partial Redemption of 2007A Bonds. In the case of a partial redemption of 2007A Bonds when 2007A 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 2007A 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 2007A 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 2007A Bond shall forthwith surrender such 2007A 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 2007A Bond or 2007A 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 2007A Bond to be so redeemed. If the Owner of any such 2007A Bond of a denomination greater than $5,000 shall fail to present such 2007A Bond to the Trustee for redemption and exchange as aforesaid, the principal amount of such 2007A 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 2007A 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 2007A 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 2007A Bonds be thereafter issued corresponding to said unit or units. 2007A 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 2007A Bonds of less than all of a particular maturity of 2007A Bonds, the particular 2007A 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.

Book–Entry System

DTC will act as securities depository for the 2007A Bonds. The 2007A 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 2007A Bond certificate will be issued for each maturity of the 2007A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC. See "APPENDIX G—BOOK–ENTRY SYSTEM" for a more detailed discussion of the book–entry system and DTC.

Manner Of Payment, Registration, Transfer And Exchange

The Trustee, as Registrar, will keep or cause to be kept sufficient books for the registration, exchange and transfer of the 2007A Bonds (the "Register"). In all cases in which the privilege of exchanging or transferring the 2007A Bonds is exercised in the event that the book–entry system is discontinued and 2007A Bonds are transferred or exchanged, the Authority shall execute, and the Trustee shall authenticate, register and deliver, 2007A Bonds in accordance with the provisions of the Indenture. In such cases, any 2007A Bond may, in accordance with its terms, be transferred upon the Register by the Owner of the 2007A Bond, in person or by such Owner's duly authorized attorney, upon surrender of such registered 2007A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Similarly, 2007A Bonds may be exchanged in such instances at the principal corporate trust office of the Trustee for a like principal amount of 2007A 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 2007A 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 2007A 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 2007A Bond selected for redemption in whole or in part, except for the unredeemed portion of such 2007A 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 from rentals paid out of budget appropriations or other available funds for the lessee agencies, which in the aggregate will be sufficient to pay the principal of and interest on the 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 generally 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.

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.

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 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 acts as staff to 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 pursuant to 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 July 10, 2007, the legal debt limit and additional debt incurring capacity of the Authority are calculated as follows:

Fair Market Value of Ad Valorem Taxable Property in State (1)	$186,836,223,701
Fees in lieu of Ad Valorem Taxable Property (2)	12,146,608,855
Total Fair Market Value of Taxable Property in State	$198,982,832,556
1.5% Debt Limit Amount	$2,984,742,488
Less: Currently outstanding State General Obligation Debt (Net) (3)	(1,209,593,432)
Less: The Authority's outstanding Lease Revenue Bonds (Net) (3)	(327,926,464)
Plus: Statutorily exempt State General Obligation Highway Debt (Net) (3)	769,509,323
The Authority's Estimated Additional Debt Incurring Capacity	$2,216,731,915

(1) Based on 2005 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 2005 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.

(3) 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.

The State’s Limited Lease Rental Obligation

The Building Ownership Act provides that, except as otherwise provided therein, bonds issued by the Authority pursuant thereto will 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 Revenue Bonds.”*

Debt Issuance

Current Lease Revenue Obligation Bonds Outstanding. The 2007A Bonds of the Authority will be the 17th series of Bonds to be issued pursuant to the State Facilities Master Lease Program. Under the State Facilities Master Lease Program, no debt service reserve fund is created for any Bonds issued pursuant to the Indenture and the Lease. In connection with 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 2007A 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—State Moral Obligation Bonds” below. However, the 2007A Bonds are considered to be State Lease Revenue Bonds.

As of July 10, 2007, the Authority has the following State Lease Revenue Bonds outstanding under the State Facilities Master Lease Program:

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

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2007A (1)..........	DABC/UCI Facilities	$ 15,380,000	May 15, 2028	$ 15,380,000
2006A (2)..........	DABC 2006A Facilities	8,355,000	May 15, 2027	8,355,000
2004A (2)..........	Refunding/various purpose	45,805,000	May 15, 2027	44,110,000
2004B (2)..........	Refunding	8,920,000	May 15, 2013	8,525,000
2003 (2).............	Refunding/various purpose	22,725,000	May 15, 2025	20,305,000
2001C (3)..........	University of Utah	30,300,000	May 15, 2022	30,300,000
2001A (2)..........	University of Utah	69,850,000	May 15, 2021	61,550,000
2001B (2)..........	Various purpose	25,780,000	May 15, 2024	22,660,000
1999A (4) (5)	Various purpose	9,455,000	May 15, 2009 (9)	785,000
1998C (4) (6).....	Refunding	105,100,000	May 15, 2019	99,625,000
1998A (4) (5)	Various purpose	25,710,000	May 15, 2008 (9)	775,000
1997A (5) (7)	DABC 1997A Facilities	4,150,000	May 15, 2008 (9)	195,000
1996A (8)..........	Various purpose	44,725,000	May 15, 2007	0
1996B (8)..........	University of Utah	16,875,000	May 15, 2007	0
1995A (8)..........	Various purpose	93,000,000	May 15, 2007	0
Total Principal amount of outstanding State Facilities Master Lease Program Bonds.............				$312,565,000

(1) Rated “Aaa” (MBIA Insured; underlying “Aa1”) by Moody’s and “AAA” (MBIA Insured; underlying “AA+”) by S&P, as of the date of this OFFICIAL STATEMENT.

(2) Rated “Aa1” by Moody’s and “AA+” by S&P, as of the date of this OFFICIAL STATEMENT.

(3) These bonds bear interest at a variable interest rate. Rated “Aaa/VMIG1” by Moody’s and “AA/A–1+” by S&P, as of the date of this OFFICIAL STATEMENT.

(4) These bonds are rated “Aaa” (FSA Insured; underlying “Aa1”) by Moody’s, and “AAA” (FSA Insured; underlying “AA+”) by S&P, as of the date of this OFFICIAL STATEMENT.

(5) Portions of this bond issue have been refunded by the 2004A Lease Revenue Bonds.

(6) Portions of this bond issue (certain principal amounts maturing 2008 through 2019) have been legally defeased from an escrow account, which account was funded from available cash on hand.

(7) These bonds are rated “Aaa” (Ambac Insured; underlying “Aa1”) by Moody’s and “AAA” (Ambac Insured; underlying “AA+”) by S&P, as of the date of this OFFICIAL STATEMENT.

(8) These bonds are included in this table because final principal payments occurred within Fiscal Year 2007. See “APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE BUILDING OWNERSHIP AUTHORITY AND THE STATE OF UTAH–Debt Service Schedule Of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year.”

(9) Final maturity date after portions of this bond were refunded by the 2004A Lease Revenue Bonds.

Other series of State Lease Revenue Bonds issued by the Authority, as listed below under the caption “Issued Under Separate Stand Alone Legal Documents,” are not issued on a parity basis with the State Lease Revenue Bonds issued under the State Facilities Master Lease Program or each other. Separate debt service reserve funds have been established and funded for each of these other series of bonds.

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Issued Under Separate Stand Alone Legal Documents

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding (1)
1993A (2)..	Human Services Building	$ 6,230,000	January 1, 2013	$ 2,615,000
1992A (2)..	Employment Security Ref.	26,200,000	August 15, 2011	9,760,000
1992B (2)..	Youth Corrections	1,380,000	August 15, 2011	530,000
Total Authority's other bonds				$12,905,000

Summary

Total State Facilities Master Lease Program Bonds	$312,565,000
Total Authority's other bonds	12,905,000
Total State Lease Revenue Bonds (3)	$325,470,000

(1) As of July, 10, 2007.
(2) Rated "Aa1" by Moody's, and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT.
(3) For accounting purposes, the total unamortized bond premium is $4,259,970 and the total deferred amount is $1,803,506, together with current debt outstanding, results in total outstanding net direct debt of $327,926,464.

Authorized State Lease Revenue Bonds and Future Bonds Issuance. Notwithstanding the legal debt issuing capacity of the Authority discussed in this section under "Legal Borrowing Debt Capacity" above, the Authority may only issue State Lease Revenue Bonds for facilities authorized by the Legislature. As of July 10, 2007, under existing legislative authorization, the Authority has $13,010,000 of remaining bonding authority, comprised of $10,500,000 for capital projects from a 2000 authorization and $2,510,000 for capital projects from a 1999 authorization, for future projects that may be undertaken solely by vote of the Authority.

Additional Information

Additional Information. For financial information regarding principal and interest lease revenue bonds debt service payments due in each Fiscal Year, payable by the Authority, see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE BUILDING OWNERSHIP AUTHORITY AND THE STATE OF UTAH."

No Defaulted Authority Bonds Or Failures By State To Renew Lease

As of the date of this OFFICIAL STATEMENT, the Authority has never failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto. As of the date of this OFFICIAL STATEMENT, the State has never failed to renew an annually renewable lease with the Authority.

THE FACILITIES

The Facilities As Security For The 2007A Bonds

The 2007A 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 surrender and vacate the Facilities, the Trustee shall have all rights and remedies to take possession of the Facilities as trustee for the benefit of the Beneficial Owners of the 2007A Bonds, and the Trustee may exercise various remedies against or with respect to the Facilities under the Indenture and the Lease for the proportionate benefit of the Beneficial Owners of the 2007A Bonds, subject to the limitation on remedies and acceleration during acquisition and construction of any of the Facilities. See in this section “Cross–Collateralization” below. See also “THE 2007A BONDS—Security And Sources Of Payment For The 2007A Bonds–The Lease and the Indenture” above. Under the Lease, an Event of Non-appropriation will occur if the Legislature fails or refuses to specifically appropriate moneys sufficient to pay the Rentals with respect to a portion of the Facilities coming due in any fiscal year under the Lease.

Certain of the 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”). 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 Facilities.

The 2007A Facilities

The Facilities financed with proceeds of the 2007A Bonds (the “2007A Facilities”) include: (i) the acquisition, construction and improvement of six State–operated alcoholic beverage outlets (approximately $13 million) for the Department of Alcoholic Beverage Control of the State and related facilities, property and improvements (retail outlets are to be located in Holladay, Salt Lake County; Kimball Junction, Summit County; West Valley City, Salt Lake County; northwest area Salt Lake County; Bountiful, Davis County; and Taylorsville, Salt Lake County; and (ii) the construction of a warehouse for Utah Correctional Industries (approximately $1.5 million) and related facilities and improvements. It is expected that the 2007A Facilities will be available for use by November 2008.

The Facilities Financed With Prior Parity Bonds

Set forth below is a brief description of certain major Facilities financed through the proceeds of the Prior Parity Bonds. The Facilities consist of approximately 54 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”), the University’s Health Sciences Center, the College of Eastern Utah, various District and Juvenile Courts, the Department of Corrections, the Department of Community and Culture, 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 most significant of these facilities include:

(1) The Huntsman Cancer Institute expansion, a $105 million, 272,000 square–foot, cancer research hospital located on the campus of the University and adjacent to the existing Huntsman Cancer Institute. This expansion 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.

(2) 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.

(3) 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.

(4) The Huntsman Cancer Institute, a $73 million cancer research center adjacent to the University’s Health Sciences Center. A portion of this facility was financed with approximately $16.9 million of bonds issued by the Authority and various public and private contributions.

(5) The West Jordan (Salt Lake County) Courts Complex project. The Authority issued approximately $13.9 million of bonds to finance this facility.

(6) 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.

(7) A building of approximately 137,000 square feet in Salt Lake County used by the Department of Community and Culture ("DCC") as a State Library building. The Authority issued approximately $13.1 million of bonds to finance this facility.

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

(9) 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 Facilities:

Facility	Construction Status	Scheduled Release Date (May 16) (1)
Huntsman Cancer Institute (expansion)	Completed–2004	2022
State Courts Complex	Completed–1998	2018
DEQ Office	Completed–1993–1995	2014
Huntsman Cancer Institute	Completed–1999	2013
West Jordan (Salt Lake County) Courts	Completed–2005	2025
Youth Corrections	Completed–1998	2017
DCC Library	Completed–1999	2019
DNR Office	Completed–1997	2017
Davis County Courts	Completed–1999	2019
All Other Facilities	Completed or under construction	2007–2028

(1) See "Release Of Portions Of Facilities–Scheduled Release of Facilities" below.

Cross–Collateralization

Subject to the following section "Release Of Portions Of Facilities," pursuant to the Indenture and the Lease, all of the 2007A 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 Bonds, a mortgage and security interest in all of the Authority's right, title and interest in all of the 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 Facilities and to exercise its rights and remedies to the extent provided in the Indenture against the Facilities in such manner and order as the Trustee determines to be in the best interests of the Owners of the Bonds then outstanding. However, the security interest in some of the Facilities may be released prior to the payment of all of the 2007A Bonds as described below under "Release of Portions of Facilities."

Release Of Portions Of Facilities

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

Release of Portions of Facilities' Sites. 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 Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the 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 Facilities located on each such respective site financed with the proceeds of sale of the Bonds or the replacement of such 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 Facilities are located that would reduce the fair rental value of the 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 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 Facilities) below the Rentals payable under the Lease or adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or otherwise adversely affect the purposes for which the Authority acquired the Facilities and for which the State is leasing the Facilities pursuant to the Lease.

Release of Portions of Facilities Upon Exercise of Purchase Option. The Authority's interest in any portion of the Facilities representing separate 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 Facilities upon the terms and conditions provided in the Lease.

Release of Portions of 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 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 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 Facilities.

Release of Portions of 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 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 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 Facilities.

Scheduled Release of 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 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 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 Facilities identified in the applicable notice required by the Lease will not reduce the fair rental value of the 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 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 Facilities) below the Rentals payable under the Lease from and after such release.

Maintenance Of The Facilities

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

RISK FACTORS

The following risk factors, in particular, should be taken into consideration in connection with any purchase of the 2007A Bonds.

Limited Obligations

The 2007A 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 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.

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, 2008. Unless sooner terminated, this annual renewal option will continue through June 30, 2027 with a final renewal term commencing July 1, 2027, and ending May 16, 2028 (each renewal term, and all of the existing renewals are referred to herein as the "Renewal Terms").

There is no assurance that the State, in its sole discretion, will 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 2007A 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 Facilities, and

(d) the value of the 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 and the State, and can have material adverse effects on the State's revenues, and its ability to pay Base Rentals on the 2007A Facilities. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments" and "—Management's Discussion And Analysis Of Financial Statements" below.

No Reserve Fund For The 2007A Bonds Or Any Other Bonds

No debt service reserve fund has been established to secure any of the Bonds issued under the Indenture, including the 2007A Bonds.

Expiration or Termination Of The Lease

In the event that the Legislature does not renew the term of the Lease in any year by appropriating 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 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 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 or the Lease prior to the acquisition and construction of these Facilities, the payment of principal of, premium, if any, and interest on the 2007A Bonds would depend, in part, on the ability of the Trustee to complete any unfinished construction, foreclose on the Facilities, and liquidate, relet or sell one or more partially constructed Facilities. See "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE–Events Of Default And Remedies."

Possible Difficulties In Selling Or Re–letting The Facilities

In the event that the State's right of possession of the 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 2007A 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, the Indenture 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 surrender**,** and vacate the 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 Facilities under the Lease, the Trustee may repossess, complete construction, and relet or sell the affected Facilities as provided in the Indenture.

No assurance can be given that the Trustee could relet or sell the Facilities for the amount necessary to pay the principal of and the interest due on the 2007A Bonds. The 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 FACILITIES" above. The net proceeds of any reletting or sale of the Facilities, together with certain other moneys then held by the Trustee under the Indenture, if any, are required to be used to pay the 2007A 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 2007A Bonds then outstanding plus accrued interest thereon. Furthermore, no assurance can be given that any amount realized upon any liquidation of the Facilities will be available to provide for the payment of the 2007A 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 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 on the part of the Trustee to obtain possession of or to foreclose the lien on the Facilities, if necessary, will likely result in delays in any payment of principal of or interest on the 2007A Bonds.

Possible Shortfall In Costs Of Acquisition And Construction Of The Facilities

The design, acquisition, construction and equipping of certain of the Facilities being financed with the Prior Parity Bonds has been commenced and is expected to be completed at various times within the next several years. In the interim, the Authority has capitalized interest on the Prior Parity Bonds, and will capitalize interest on the 2007A Bonds, to the expected completion date of the Facilities financed with the proceeds of such bonds. Regardless of the sufficiency of the capitalized interest, however, once the capitalized interest has been fully applied, the State is required to commence lease payments pursuant to the Lease to the extent, in the amounts and at the times necessary to pay debt service on the Bonds. See "THE FACILITIES—The Facilities As Security For The 2007A Bonds," "—The 2007A Facilities" and "—The Facilities Financed With Prior Parity Bonds" above.

The Authority and the State believe, but there can be no assurance, that the proceeds of sale of the 2007A Bonds and the Prior Parity Bonds, together with certain investment earnings thereon and other sources of construction funds described in "THE FACILITIES—The Facilities Financed With Prior Parity Bonds" above, will be sufficient to complete the acquisition, construction and equipping of the 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 Facilities from legally available funds, but only in connection with the issuance of Additional Bonds 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 Facilities or making additions or improvements to the Facilities or acquiring or constructing Additional Facilities, 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 Bonds previously issued, including the 2007A Bonds and the Prior Parity Bonds. See "THE 2007A BONDS—Security And Sources Of Payment For The 2007A Bonds—Additional Bonds; Refunding Bonds" above and "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE–Additional Bonds."

Destruction Of The Facilities

The Lease requires the Facilities to be insured by policies of insurance (including casualty and property damage insurance) as described in "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Insurance Provisions." In the event of damage to or destruction of all or any part of the 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 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 Facilities, the State may terminate its obligations under the Lease with respect to such 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. See "THE 2007A BONDS—Redemption Provisions For The 2007A Bonds–Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation" above. 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 Facilities at that time. See "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation."

Depreciation And Lack Of Residual Value

Certain components of the Facilities may depreciate in value during the time that the 2007A Bonds are outstanding. In addition, various components of the 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 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 and other applicable departments and divisions of the State with respect to any of the 2007A Bonds to comply with certain covenants relating to the Indenture, the Lease and the 2007A Bonds, on a continuing basis, so long as any of the 2007A Bonds are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in interest on the 2007A 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 2007A Bonds do not provide for payment of any additional interest or penalty or redemption in the event that interest on the 2007A Bonds becomes includible in federal gross income.

Other Factors Regarding The Facilities

The ownership or operation of the Facilities creates a potential for environmental liability on the part of both the owner or operator of the 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 Facilities' sites or discovered to be emanating from the 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 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 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 include in its annual budget request all moneys that are necessary to fulfill the State's obligations under the Lease for each successive Renewal Term and 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 Facilities. However, the individuals elected to serve as Governor and as members of the Legislature will change during the period when the 2007A 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 Facilities.

STATE OF UTAH GOVERNMENTAL ORGANIZATION

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

Constitutional Departments

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

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

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

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

Certain Other Administrative Bodies

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

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

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

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.

DEBT STRUCTURE OF THE STATE OF UTAH

General Obligation Bonds Of The State

General obligation bonds of the State are issued pursuant to resolutions of the State Bonding Commission and pursuant to the legislative authorizing acts to provide funds to pay a portion of the costs of the State's capital facilities and highway construction or reconstruction projects and to pay costs and expenses incident to the issuance of bonds. As of July 10, 2007, the State has $1,161,510,000 of outstanding general obligation bonds that mature through the Fiscal Year 2020.

Additional Information. For financial information regarding constitutional and statutory legal borrowing authority, outstanding general obligation indebtedness, debt service schedule of outstanding general obligation bonds by fiscal year, historical constitutional and statutory debt limit of the State, and debt ratios of the State see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE BUILDING OWNERSHIP AUTHORITY AND THE STATE OF UTAH."

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 2006 and 2005 were approximately $26.2 million and $25.3 million, respectively, for the primary government, and $30.9 million and $18.6 million, respectively, for component units. For a detailed report and description of operating and capital leases see “APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—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.

Excluding the Authority, the majority of the State’s revenue bonds and notes are issued by the Utah Housing Corporation and the State Board of Regents.

Additional information. For a detailed report and description of the various revenue bonds and notes see “APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements, Note 10. Long–Term Liabilities.”

State Guaranty Of General Obligation School Bonds

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

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

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

During Fiscal Year 2007, the State will have at least $2.1 billion principal amount outstanding of Guarantied Bonds. Currently, the Guarantied Bond program’s annual principal and interest payments are scheduled through Fiscal Year 2027. The State cannot predict the amount of bonds that may be guarantied in this year or in future years; no limitation is currently imposed by the Guaranty Act.

State Moral Obligation Bonds

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

The following State Moral Obligation Bonds are outstanding:

Utah Housing Corporation. The Utah Housing Corporation had outstanding as of January 1, 2007 approximately $1.52 billion of single family and multifamily housing revenue bonds, approximately $1.4 million of which are State Moral Obligation Bonds.

State Board of Regents. The State Board of Regents has approximately $2.1 billion of student loan revenue bonds and $9.9 million of other revenue bonds (for office space) outstanding, all of which are State Moral Obligation Bonds. In addition, the State Board of Regents has outstanding approximately $462.7 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately $414.9 million of which are State Moral Obligation Bonds.

Utah Communications Agency Network. The Utah Communications Agency Network has approximately $8.7 million of refunding revenue bonds outstanding, all of which are State Moral Obligation Bonds. See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements, Note 15. Joint Venture."

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

Generally

The following table summarizes the State's revenues and expenditures for Fiscal Years 2006, 2005 and 2004:

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Revenues and Expenditures for Fiscal Years 2006, 2005 and 2004

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

	Fiscal Year Ending June 30, 2006		Fiscal Year Ending June 30, 2005		Fiscal Year Ending June 30, 2004	
	Amounts (in thousands)	% Change From Prior Year	Amounts (in thousands)	% Change From Prior Year	Amounts (in thousands)	% Change From Prior Year
Revenues (1):						
Individual and corporate income Taxes (2)	$2,703,989	25%	$2,155,897	15%	$1,872,667	7%
Federal revenues	2,501,030	6	2,362,803	3	2,292,046	12
Sales and use tax (2)	1,915,600	13	1,699,636	9	1,553,909	5
Motor/special fuel taxes	344,902	3	336,417	3	327,838	2
Other taxes	311,974	15	271,264	18	230,558	9
Other	896,246	29	694,233	12	620,288	13
Total	$8,673,741	15%	$7,520,250	9%	$6,897,306	9%
Expenditures	$7,631,700	9%	$7,017,202	6%	$6,623,877	6%

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

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

(Source: Division of Finance and the 2006 CAFR.)

Recent Developments

Major Funds. Most government services of the State are paid through one of its major governmental funds. In Fiscal Year 2006, the State's major governmental funds were the General Fund, Uniform School Fund, Transportation Fund, and Transportation Investment Fund. Prior to July 1, 2006, the Uniform School Fund was used to account for public education (kindergarten through 12th grade) and a portion of higher education (State colleges and universities) expenditures. However, effective July 1, 2006, the Legislature created the Education Fund. Individual income and corporate taxes will be deposited into the Education Fund. From there, the majority of the funds will be transferred to the Uniform School Fund and expended for public education. The remainder will then be used for higher education. This change will have no impact on total governmental activities.

Effective July 1, 2005, the Legislature created the Transportation Investment Fund of 2005 and designated that projects, previously reported as part of the Centennial Highway Fund, be reported within this new fund. This change had no impact on governmental activities reported in the current year or previous years.

During the 2007 Legislative Session, the Legislature created the Critical Highway Needs Fund and authorized the issuance of up to $1 billion in general obligation bonds for highway projects. This fund will account for the costs of right–of–way acquisition, maintenance, construction, reconstruction, or renovation to state and federal highways. This fund will be reported as part of total governmental activities and may become a major fund in the near future.

Spending and Debt Limitations. The State has statutory appropriation and debt limits. Increases in appropriations are limited to combined changes in population and inflation. The definition of appropriations includes only appropriations from unrestricted General Fund sources and from non–Uniform School Fund income tax revenues (spending for public education and transportation are exempted from the limitation).

For Fiscal Year 2007, the State is approximately $17.2 million below the statutory appropriation limit, and for Fiscal Year 2008 it is $33.9 million below the limit. The statutory debt limit is 45% of the maximum allowable appropriation limit. See “APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE BUILDING OWNERSHIP AUTHORITY AND THE STATE OF UTAH—Legal Borrowing Authority Of The State—Statutory General Obligation Debt Limit.”

Budget Management. The State ended Fiscal Year 2006 with a surplus of $388.4 million. This included a surplus of $108.5 million in the General Fund and $279.9 million in the Uniform School Fund. Higher than expected sales and use tax and individual and corporate income tax revenues were the primary reasons for the surplus. Of the total surplus, $309.9 million was carried forward for appropriation in Fiscal Year 2007 and the remainder was deposited into the State’s budget reserve accounts.

Budget Reserve Accounts. The State maintains a General Fund Budget Reserve Account in the General Fund (the “Rainy Day Fund”) and an Education Budget Reserve Account in the Education Fund (the “Education Reserve”). State law limits the combined totals of the Rainy Day Fund and Education Reserve based on the amount of appropriations from certain funds for the Fiscal Year in which the surplus occurred. State law requires 25% of any surplus in the General Fund to be deposited in the Rainy Day Fund and 25% of any surplus in the Uniform School Fund and Education Fund (a new major fund effective beginning Fiscal Year 2007) to be deposited in the Education Reserve, in each case up to the statutory limit. In Fiscal Year 2006 the transfers of surplus revenues caused the amounts on deposit in the reserve funds to equal the statutory limit of $254.9 million. Unless such reserve funds are drawn upon for their respective purposes, annual mandatory surplus transfers will be limited to the lesser of 25% of the applicable surplus or the amount necessary to reach the applicable statutory limit.

In the 2007 General Session of the Legislature, $32 million of General Fund and $13.4 million of Uniform School Fund moneys were appropriated to the respective reserve funds for Fiscal Year 2007. As of March 31, 2007, the balance in the Rainy Day Fund was $168.6 million and for the Education Reserve the balance was $141.0 million. Additionally, the Legislature appropriated $40 million of Education Fund moneys to the Education Reserve for Fiscal Year 2008. The anticipated combined balance for the two reserve funds for Fiscal Year 2008 is approximately $349.6 million, plus interest earned during Fiscal Year 2008.

Tax Reform. In the 2006 General Session, the Legislature reduced the sales tax rate levied by the State on unprepared foods from 4.75% to 2.75% effective January 1, 2007. During the 2007 General Session, the Legislature further reduced the sales tax rate levied by the State on unprepared foods from 2.75% to 1.75% and the general sales tax rate imposed on transactions was reduced from 4.75% to 4.65%, effective January 1, 2008. The cumulative revenue impact of 2006 and 2007 sales tax reform is estimated to be a decrease in revenues of $109 million in Fiscal Year 2008 and $157 million in Fiscal Year 2009.

Significant individual income tax reform was adopted during the 2006 and 2007 General and Special Sessions. The Legislature enacted a dual tax system in the 2006 Fourth Special Session, and then in the 2007 General session enacted a single rate income tax system to replace the dual tax system. For the 2007 tax year, a taxpayer may choose between a single rate income tax system or the existing bracketed tax rate system. For the 2008 tax year, all taxpayers will file a return using a single rate of 5.0% of federal adjusted gross income. A tax credit based on a percentage of the federal deductions and personal exemptions that phases out depending on income and filing status retains income tax progressivity. The cumulative revenue impact of 2006 and 2007 income tax reform is estimated to be a decrease in revenues of $105 million in Fiscal Year 2008 and $193 million in Fiscal Year 2009. Also see “State Tax System” below.

Public Education. State funding for Public Education will increase by $490 million in Fiscal Year 2008, representing an increase of 23% over the base budget. The “weighted pupil unit” was increased by 4%, or $88 million. An additional $68.7 million was appropriated to increase each teacher’s base salary by $2,500 per year, as well as $40 million to provide a one–time bonus of approximately $1,000 for each educator. Funding of $65.9 million for new student enrollment growth will pay for 14,853 projected new students for the 2007–2008 school year.

The Legislature also passed an education voucher bill in the 2007 General Session. This bill provides a voucher between $500 and $3,000 (depending on the parents' income) for students choosing to attend an eligible private school. In November 2007, voters will decide whether or not the voucher program is implemented.

Capital Expenditures. The Legislature authorized $189.4 million of "pay–as–you–go" funding for new buildings for higher education and state administrative needs for Fiscal Year 2008. An additional $73.1 million was appropriated for maintenance and improvements to existing buildings. New "pay–as–you–go" funding for transportation projects included $781.1 million. These funds will be used for corridor preservation, bridge replacement and the completion of Centennial Highway Fund projects.

Securitization of Financial Settlement with the Tobacco Industry. The State has not issued and does not plan to issue tobacco securitization bonds.

Management's Discussion And Analysis Of Financial Statements

The State prepared a narrative discussion, overview, and analysis of the financial activities of the State for Fiscal Year 2006. For the complete discussion see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006–Management's Discussion and Analysis" (after the Independent State Auditor's Report).

Five–Year Financial Summaries

The following summaries were extracted from the State's audited financial statements for Fiscal Years 2002 through 2006. The summaries have not been audited. The financial information presented in the summaries is presented on a fund statement basis and not on a government–wide statement basis.

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

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

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

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State of Utah

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

(This summary is unaudited)

	As of June 30 (in thousands)				
	2006	2005	2004	2003	2002
Assets:					
Cash and cash equivalents	$ 1,259,084	$ 932,620	$ 386,148	$ 505,731	$ 284,444
Investments	769,088	521,982	711,950	648,211	785,121
Receivables:					
Accounts, net	473,961	464,291	626,266	598,616	485,522
Accrued taxes, net	929,421	693,516	586,076	524,670	581,065
Notes / mortgages, net	30,471	13,265	9,458	12,297	13,355
Accrued interest	135	123	55	111	32
Due from other funds	30,214	23,700	24,277	51,532	54,173
Due from component units	26,784	26,179	26,395	18,922	29,016
Interfund loans receivable	28,111	32,533	43,963	43,546	44,638
Inventories	11,557	11,473	9,496	7,537	8,894
Total assets	$ 3,558,826	$ 2,719,682	$ 2,424,084	$ 2,411,173	$ 2,286,260
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 598,382	$ 589,716	$ 536,089	$ 537,522	$ 510,618
Due to other funds	35,704	28,151	26,569	40,171	65,469
Due to component units	440	1,503	8,013	4,812	–
Deferred revenue	502,036	319,938	390,140	320,381	279,983
Interfund loans payable	–	–	2,478	2,478	2,478
Total liabilities	1,136,562	939,308	963,289	905,364	858,548
Fund balances:					
Reserved	836,056	716,255	555,158	704,592	801,664
Unreserved designated	1,199,334	681,751	534,040	466,206	385,833
Unreserved undesignated	386,874	382,368	371,597	335,011	240,215
Total fund balances	2,422,264	1,780,374	1,460,795	1,505,809	1,427,712
Total liabilities and fund balances	$ 3,558,826	$ 2,719,682	$ 2,424,084	$ 2,411,173	$ 2,286,260

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

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

State of Utah

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

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2006	2005	2004	2003	2002
Revenues:					
Taxes:					
Sales and use tax	$ 1,820,992	$ 1,664,352	$ 1,521,076	$ 1,447,281	$ 1,437,339
Other taxes	271,178	234,710	200,167	187,397	172,307
Total taxes	2,092,170	1,899,062	1,721,243	1,634,678	1,609,646
Other revenues:					
Federal contracts and grants	1,859,583	1,776,555	1,741,580	1,524,832	1,341,072
Charges for services	256,025	238,181	204,874	182,090	192,190
Licenses, permits and fees	18,725	17,866	18,029	17,745	17,721
Federal mineral lease	156,851	82,704	67,216	46,335	29,367
Investment income	47,027	16,483	6,897	8,258	15,333
Miscellaneous and other	164,890	148,015	143,033	124,422	114,449
Total revenues	4,595,271	4,178,866	3,902,872	3,538,360	3,319,778
Expenditures:					
Current:					
General government	200,631	161,728	157,791	151,281	160,728
Human services and youth corrections	590,727	575,046	550,691	532,270	529,403
Corrections, adult	203,419	193,442	187,278	176,624	182,860
Public safety	177,201	161,350	146,974	122,830	147,728
Courts	111,541	106,128	100,975	97,348	100,510
Health and environmental quality	1,629,909	1,456,282	1,340,304	1,171,877	1,055,856
Higher education–state administration	43,505	39,121	32,827	34,891	42,155
Higher education–colleges and universities	665,855	626,026	595,630	592,668	610,837
Employment and family services	412,855	415,892	394,304	362,931	321,154
Natural resources	136,059	120,398	119,909	132,388	119,383
Community and culture	82,627	86,335	86,085	88,731	86,160
Business, labor, and agriculture	79,138	74,919	62,528	55,583	55,639
Total expenditures	4,333,467	4,016,667	3,775,296	3,519,422	3,412,413
Excess revenues over (under) expenditures	261,804	162,199	127,576	18,938	(92,635)
Other financing sources (uses):					
Transfers in	323,689	294,313	178,900	146,547	223,529
Transfers out	(370,336)	(288,486)	(207,519)	(146,514)	(330,679)
Total other financing sources (uses)	(46,647)	5,827	(28,619)	33	(107,150)
Net change in fund balances	215,157	168,026	98,957	18,971	(199,785)
Beginning fund balance	653,979	485,953	386,996	368,025	708,067
Adjustments to beginning fund balance (1)	–	–	–	–	(140,257)
Beginning fund balance as adjusted	653,979	485,953	386,996	368,025	567,810
Residual equity transfers	–	–	–	–	–
Ending fund balances	$ 869,136	$ 653,979	$ 485,953	$ 386,996	$ 368,025

(1) 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)				
	2006	2005	2004	2003	2002
Revenues:					
Taxes:					
Sales and use tax	$ 94,608	$ 35,284	$ 32,833	$ 34,542	$ 36,140
Individual income tax	2,324,365	1,946,593	1,706,774	1,587,520	1,584,546
Corporate tax	379,624	209,304	165,893	161,129	124,561
Motor and special fuels tax	344,902	336,417	327,838	321,370	321,682
Other taxes	40,796	36,554	30,391	23,595	26,131
Total taxes	3,184,295	2,564,152	2,263,729	2,128,156	2,093,060
Other revenues:					
Federal contracts and grants	641,447	586,248	550,466	521,567	505,838
Charges for services	50,857	26,975	27,399	22,465	23,438
Licenses, permits and fees	94,959	90,040	85,606	83,784	80,911
Federal aeronautics	37,521	34,416	25,821	18,791	31,026
Investment income	31,222	22,235	15,720	16,367	15,296
Miscellaneous and other	38,169	17,318	25,693	26,375	21,481
Total other revenues	894,175	777,232	730,705	689,349	677,990
Total revenues	4,078,470	3,341,384	2,994,434	2,817,505	2,771,050
Expenditures:					
Current:					
Public education	2,322,801	2,168,798	2,037,873	1,979,461	1,998,240
Transportation	975,432	831,737	810,708	756,139	847,517
Total expenditures	3,298,233	3,000,535	2,848,581	2,735,600	2,845,757
Excess revenues over (under) expenditures	780,237	340,849	145,853	81,905	(74,707)
Other financing sources (uses):					
General obligation bonds issued	–	47,050	–	140,685	277,810
Premium on bonds issued	–	2,950	–	20,581	11,241
Transfers in	286,496	185,731	163,880	145,625	340,705
Transfers out	(567,290)	(535,939)	(331,345)	(228,262)	(369,293)
Total other financing sources (uses)	(280,794)	(300,208)	(167,465)	78,629	260,463
Net changes in fund balances	499,443	40,641	(21,612)	160,534	185,756
Beginning fund balance	796,993	757,418	779,030	618,496	377,980
Adjustments to beginning fund balance (2)	–	(1,066)	–	–	54,760
Beginning fund balance as adjusted	796,993	756,352	779,030	618,496	432,740
Ending fund balances	$ 1,296,436	$ 796,993	$ 757,418	$ 779,030	$ 618,496

(1) The major special revenue funds include the Uniform School Fund, Transportation Fund, and Transportation Investment Fund.
(2) 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 2007A 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.

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

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

The Property Tax Act provides that the State Tax Commission assesses certain types of property ("Centrally–Assessed Property"). All other taxable property ("Locally–Assessed Property") is assessed by the county assessor of the county in which such Locally–Assessed Property is located. The Property Tax Act also establishes certain deadlines, procedures and requirements for, among other things, the 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.

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

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

Tax Year	Taxable Value (1)	% Change Over Prior Year	Fair Market Value	% Change Over Prior Year
2006 (2)	$155,211,782,610	17.3%	$216,897,566,432	16.1%
2005	132,372,801,410	7.4	186,836,223,701	8.0
2004	123,210,372,102	5.0	173,003,833,163	5.1
2003	117,371,436,772	2.7	164,567,249,587	3.1
2002	114,320,788,860	3.6	159,659,350,270	4.2

(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. Includes redevelopment valuation.

(2) Preliminary; subject to change.

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

Historical Summaries Of Taxable Values Of Property

	2006		2005	2004	2003	2002
Set by State Tax Commission (Centrally Assessed)	Taxable Value (1)	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Natural resources…………….	$ 5,400,000,000	3.5 %	$ 4,898,371,950	$ 4,211,778,705	$ 3,002,785,404	$ 3,336,164,284
Utilities……………………….	10,465,594,314	6.7	9,293,092,255	9,509,472,931	9,742,802,798	9,380,729,030
Total centrally assessed…..	15,865,594,314	10.2	14,191,464,205	13,721,251,636	12,745,588,202	12,716,893,314
Set by County Assessor (Locally Assessed)						
Real property:						
Primary residential……………	75,411,735,782	48.6	66,358,371,700	60,635,462,669	57,428,781,528	55,154,680,220
Commercial…………………..	50,000,000,000	32.2	28,604,861,843	25,204,539,225	25,995,762,668	25,524,121,711
Other real…………………….	5,750,000,000	3.7	14,895,471,950	15,622,104,219	12,900,782,786	12,346,922,189
Total real property……….	131,161,735,782	84.5	109,858,705,493	101,462,106,113	96,325,326,982	93,025,724,120
Personal property:						
Total personal property…..	8,184,452,514	5.3	8,322,631,712	8,027,014,353	8,300,521,588	8,578,171,426
Total locally assessed…….	139,346,188,296	89.8	118,181,337,205	109,489,120,466	104,625,848,570	101,603,895,546
Total taxable value……….	$155,211,782,610	100.0 %	$132,372,801,410	$123,210,372,102	$117,371,436,772	$114,320,788,860

(1) Preliminary; subject to change. Information is rounded as necessary.

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

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

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

Uniform Fees. An annual statewide uniform fee is levied on certain tangible personal property in lieu of the ad valorem tax. 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. Motor vehicles weighing 12,000 pounds or less are subject to an "age based" fee that is due each time the vehicle is registered. The age based fees for passenger type vehicles 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. The State created the Property Tax Valuation Agency Fund (the "PTVAF"), to be funded by a multicounty assessing and collecting levy to promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system, including the costs of assessment, collection and distribution of property taxes. Money is disbursed from the PTVAF to each county based on statutory qualification and requirements.

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

Budgetary Procedures

Budgetary Procedures Act. The Budgetary Procedures Act, Title 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. The total appropriations requested for expenditures authorized by the budget must not exceed the estimated revenues from taxes, fees and all other sources for the next ensuing fiscal year.

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

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

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

State Funds And Accounting

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

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

Fund reporting in the financial statements for governmental funds focuses on major funds as defined by GAAP. The State reports the following major governmental funds: the General Fund, the Education Fund (a new major fund effective beginning Fiscal Year 2007), the Uniform School Fund, the Transportation Fund, the Transportation Investment Fund and the Trust Lands Fund.

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

For further information on State funds and accounting, including a description of each of the major governmental funds, see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements—Note 1. Summary of Significant Accounting Policies."

State Tax System

The State's tax revenues are derived primarily from sales and use taxes, individual income taxes, motor fuel taxes, 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 and workers' compensation premium taxes.

The State also has authority to levy and collect ad valorem property taxes, but has not done so since 1974. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" above.

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

Individual Income and Business Taxes.

Individual Income Tax. The State is one of 43 states that impose an individual income tax. The State recently adopted a single rate income tax system, which taxes all individual income at the rate of 5%. For the 2007 tax year, taxpayers may elect to use a single tax rate of 5.35% or the existing bracketed tax rate system. For the 2008 tax year, all taxpayers are required to use a single tax rate of 5%. Under the new single rate system, the base of the income tax was expanded from an individual's federal taxable income to federal adjusted gross income with minor adjustments. To retain the progressivity of the tax system, a tax credit based on federal deductions and federal personal exemptions is available, but phases out depending upon the income and filing status of the individual taxpayers. The cumulative revenue impact of 2006 and 2007 individual tax reform is estimated to be a decrease of $105 million in Fiscal Year 2008 and $193 million in Fiscal Year 2009. The individual income tax reform is expected to decrease revenue volatility significantly.

Business Taxes. The State imposes a tax on corporate net taxable income apportioned to the State at a rate of 5%. Currently, the minimum tax is $100. In the 2005 General Session, the Legislature altered the apportionment formula to allow for optional double weighting of the sales factor. During the 2006 and 2007 General Sessions the Legislature reduced business taxes in a number of ways, including: expanding a corporate research and development tax credit; expanding the renewable energy tax credit; repealing of an additional gross receipts tax; equalizing satellite and cable television taxes; and creating sales tax exemptions for telecommunication equipment, manufacturing parts and supplies, oil and mining equipment, and dental prostheses. The combined estimate of the decrease in revenues from these changes is approximately $32 million in Fiscal Year 2008 and $58 million in Fiscal Year 2009.

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

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

2006 and 2007 Amendments. Significant changes to the sales and use tax were enacted during the 2006 and 2007 General Legislative Sessions. In the 2006 General Session, the sales tax on unprepared food items was reduced from 4.75% to 2.75% effective January 1, 2007. This rate will be reduced to 1.75% beginning January 1, 2008 as a result of legislation enacted in the 2007 General Session. The general sales tax rate was also reduced from 4.75% to 4.65% in the 2007 General Session. The cumulative revenue impact of 2006 and 2007 sales tax reform is estimated to be a decrease of $109 million in Fiscal Year 2008 and $157 million in Fiscal Year 2009.

During the 2006 General Session, 8.3% of general sales and use tax collections were directed into the Transportation Investment Fund. Transfers to such fund are currently estimated at $170 million for Fiscal Year 2008 and $180 million for Fiscal Year 2009.

A portion (0.0625%) of the sales and use tax is earmarked for water and road projects. The Legislature removed certain caps on the amount of the earmarked funds. As a result, the State estimates that an additional $15 million in Fiscal Year 2008 and $16 million in Fiscal Year 2009 will be earmarked for such purposes.

See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments" above.

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

State Revenues, Expenditures And Fund Balances

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

	Fiscal Year Ended June 30 (in thousands)									
	2006	% (1)	2005	% (1)	2004	% (1)	2003	% (1)	2002	% (1)
Taxes	$5,281,485	60%	$4,467,665	59%	$3,989,188	57%	$3,765,460	59%	$3,705,851	60%
Federal contracts and grants	2,524,022	29	2,366,786	31	2,295,428	33	2,049,922	31	1,856,477	30
All other misc. revenues	972,222	11	729,830	10	694,951	10	619,498	10	607,169	10
Total all funds	$8,777,729	100%	$7,627,281	100%	$6,979,567	100%	$6,434,880	100%	$6,169,497	100%

(1) Percentage of total Governmental Fund Revenue.

(Source: Division of Finance.)

Revenue Summary. For Fiscal Year 2006, General Fund revenues from all sources totaled approximately $4.6 billion. Of this amount, 40% came from federal contracts and grants, 39% came from sales taxes, 5% came from charges for services and licenses, permits and fees, 8% came from federal mineral lease, investment income and miscellaneous and other revenues, and 8% came from other tax sources.

In the Uniform School Fund for Fiscal Year 2006, revenues from all sources totaled approximately $3.1 billion. Of this amount, 74% came from individual income taxes, 12% came from corporate franchise taxes, 11% came from federal contracts and grants, and 3% came from other miscellaneous revenue sources.

In the Transportation Fund for Fiscal Year 2006, revenues from all sources totaled approximately $840.3 million. Of this amount, 41% came from motor and special fuel taxes, 31% came from federal contracts and grants, 14% came from charges for services and licenses, permits, and fees, and 14% came from other miscellaneous unrestricted taxes and fees.

In the Transportation Investment Fund for Fiscal Year 2006, revenues from all sources totaled $95.6 million. Of this amount, 69% came from sales tax revenue, 22% came from motor vehicle registration fees, 6% came from federal contracts and grants, and 3% came from interest income.

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

Capital Expenditure Authorizations

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

Capital Expenditure Authorizations (in millions)

Fiscal Year Ended June 30				
2007	2006	2005	2004	2003
$1,286.9	$703.1	$754.1	$709.1	$871.7

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

Investment Of Funds

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

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

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

See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006–Notes To The Financial Statements–Note 3. Deposits and Investments" and "–Note 4. Investment Pool."

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

Employee Workforce; Retirement System; Post Employment Benefits

Employee Workforce and Retirement System. The State is the largest employer in the State employing approximately 22,000 people. All full–time employees of the State are members of the Utah State Retirement System. For a discussion concerning the Utah State Retirement System see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements—Note 16. Pension Plans."

Post Employment Benefits. The Governmental Accounting Standards Board issued Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which the State implemented in Fiscal Year 2007. As a result, in 2005 the Legislature adopted legislation, effective January 1, 2006, that modified the postemployment benefits received by state employees, including the phasing out of certain benefits and capping others. The legislation substantially reduced the State's liability on a going forward basis.

In 2005, an actuarial study determined that the State's actuarial accrued liability for its postemployment benefits was, as of Calendar Year 2004, $487.8 million. The State will complete another actuarial study to determine its liability as of Calendar Year 2006.

The Legislature has appropriated, for Fiscal Years 2007 and 2008, the annual required contribution of $46.8 million and has created an irrevocable trust fund to pay for postemployment benefits. For additional discussion of the State's postemployment benefits see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements—Note 17. Postemployment Benefits."

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 all local school districts.

The property self–insurance limits are currently $1 million per claim with an annual aggregate of $3.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with private insurance companies. This coverage has limits of $500 million at any single building. The State has aggregate coverage of $300 million for earthquake and flood losses. Earthquake and flood losses above this limit are self–insured. See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements—Note 14. Litigation, Contingencies and Commitments."

As of June 30, 2006, the Administrative Services Risk Management Fund was estimated to have approximately $46.7 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 Fiscal Year 2007. The Legislature has chosen to fund the Administrative Services 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 AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements—Note 18. Risk Management And Insurance."

LEGAL MATTERS

Absence Of Litigation Concerning The Bonds

There is no litigation pending or threatened against the 2007A Bonds questioning or in any matter relating to or affecting the validity of the 2007A Bonds.

On the date of the execution and delivery of the 2007A Bonds, certificates will be delivered by the Authority to the effect that to the knowledge of the Authority, there is no action, suit, proceeding or litigation pending or threatened against the Authority, which in any way materially questions or affects the validity or enforceability of the 2007A 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 Authority.

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 2007A Bonds or such other documents as may be required in connection with the issuance and sale of the 2007A Bonds, or to comply therewith or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2007A Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2007A Bonds are issued, the legality of the purposes for which the 2007A Bonds are issued, or the validity of the 2007A Bonds or the issuance and sale thereof.

Miscellaneous Legal Matters

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

See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006—Notes to the Financial Statements—Note 14. Litigation, Contingencies, and Commitments."

Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On 2007A Bonds

Based on discussions with representatives of the Authority and the State's executive and legislative departments, the Attorney General is of the opinion that the miscellaneous legal proceedings against the State or the Authority, individually or in the aggregate, are not likely to have a material adverse impact on the Authority's ability to make its payments of the principal of and interest on the 2007A Bonds as those payments come due or the State's ability to make its payment of Rentals as those payments come due.

Tax Exemption

Federal Income Tax. In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the 2007A Bonds is excludable from gross income for federal income taxes purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the 2007A Bonds. The State and the Authority 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 2007A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the 2007A Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the State and the Authority with such requirements and restrictions in rendering its opinion regarding the tax–exempt status of interest on the 2007A Bonds.

Original Issue Discount. The 2007A Bonds maturing on May 15, 2018 and May 15, 2019, both dates inclusive (collectively, the "2007A 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 2007A Discount Bond accrues periodically over the term of the 2007A 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 2007A Discount Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Holders of 2007A Discount Bonds should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium. The 2007A Bonds maturing on May 15 in the years 2009 through 2017; May 15, 2021; May 15, 2023; May 15, 2025; and May 15, 2028, all dates inclusive (collectively, the "2007A 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 2007A Premium Bond through reductions in the holders' tax basis in the 2007A 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 2007A Premium Bond rather than creating a deductible expense or loss. Holders of 2007A Premium Bonds should consult their tax advisors for an explanation of the amortization rules.

State Income Tax. Bond Counsel is also of the opinion that interest on the 2007A Bonds is exempt from State of Utah individual income taxes under currently existing law.

On May 21, 2007, the U.S. Supreme Court agreed to review a Kentucky state court decision on the issue of whether the U.S. Constitution precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. The outcome of this or any similar case cannot be predicted, but the ultimate result could be a change in the treatment for state tax purposes of obligations such as the 2007A Bonds, including whether interest on the 2007A Bonds is exempt from the State of Utah income tax.

General

The approving opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, concerning the validity of the 2007A Bonds, in substantially the form set out in APPENDIX E to this OFFICIAL STATEMENT, will be provided at the time of delivery of the 2007A Bonds. Copies of the opinion of Bond Counsel, in substantially the form set forth in APPENDIX E 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 2007A BONDS (except the portions under the captions "—General," "—Estimated Sources And Uses Of Funds," and "—Book–Entry System") and "LEGAL MATTERS—Tax Exemption" and APPENDIX D to the OFFICIAL STATEMENT. Bond Counsel also prepared and has reviewed APPENDIX E to the OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel's opinion on the 2007A 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 2007A Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State and by Chapman and Cutler LLP.

MISCELLANEOUS

Bond Ratings

As of the date of this OFFICIAL STATEMENT, Moody's and S&P have assigned their municipal bond ratings of "Aaa," and "AAA," respectively, to the 2007A Bonds with the understanding that upon delivery of the 2007A Bonds, a policy insuring the payment when due of the principal of and interest on the 2007A Bonds will be issued by MBIA. See "BOND INSURANCE" above.

Additionally, Moody's and S&P have assigned underlying ratings of "Aa1," and "AA+," respectively, to the 2007A Bonds.

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 2007A 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 2007A 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 2007A 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 2007A 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.

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 2007A Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the 2007A 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 2007A Bonds.

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

Independent Auditors

The financial statements of the State as of June 30, 2006, and for the fiscal year then ended, are included as APPENDIX A to this OFFICIAL STATEMENT and have been audited by the Utah State Auditor, as indicated in its report thereon. The State has neither requested nor has been obligated to obtain the consent of the State Auditor to include its report in this OFFICIAL STATEMENT and therefore the State Auditor has not performed any procedures with respect to such financial statements subsequent to the date of its report.

Additional Information

The foregoing description of the 2007A 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 2007A Bonds, and subsequently, at the office of the Trustee 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

APPENDIX A

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2006

The Basic Financial Statements and Required Supplementary Information of the State for Fiscal Year 2006 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 21st consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2005.

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 has submitted its Fiscal Year 2006 CAFR to GFOA to determine its eligibility for a Certificate of Achievement. The State believes that its Fiscal Year 2006 CAFR continues to meet the Certificate of Achievement program's requirements.

The State's CAFR for Fiscal Year 2007 must be completed under State law by December 31, 2007.

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Stan Godfrey, CPA
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INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Jon M. Huntsman, JR.
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, 2006, 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; portions of the Utah College of Applied Technology; the Dairy Commission; and the Utah State Retirement Office, which represent 49 percent of the assets and 50 percent of the revenues of the aggregate discretely presented component units and 77 percent of the assets and 22 percent of the revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, 2006, 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 other required supplementary information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We 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.

Auston G. Johnson

Auston G. Johnson, CPA
Utah State Auditor
October 27, 2006

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, 2006. 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 total net assets increased $1.864 billion or 15.3 percent over the prior year. Net assets of governmental activities increased $1.549 billion or 14.9 percent due to an improving economy and active resource management. Net assets of business-type activities also grew significantly, increasing by $315.2 million or 18.0 percent, primarily due to revenues from employers' unemployment premiums exceeding benefit payments for the second consecutive year.

Fund Level

- Combined tax revenues were 10.2 percent higher in the General Fund and 25.2 percent higher in the Uniform School Fund than the prior year as Utah's economy showed continued signs of improvement. The State's economic slowdown in 2002 and 2003 and subsequent improvement in fiscal years 2004 through 2006 is similar to the trend of the national economy.

- The General Fund and Uniform School Fund ended the fiscal year with "surplus" from unreserved and undesignated sources of $85.1 million and $223.3 million, respectively. By law, $21.9 million of the surplus in the General Fund was transferred to the General Fund Budget Reserve Account ("Rainy Day Fund"), and $56.6 million of the surplus in the Uniform School Fund was transferred to the Education Budget Reserve Account.

Long-term Debt

- The State's long-term bonded debt increased a net $433.4 million or 12.5 percent. Revenue bonds were issued to fund capital facility construction, and for purchasing student loans in the Student Assistance Programs. No new general obligation bonds were issued.

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

Fund Financial Statements – Reporting the State's Most Significant Funds
The fund financial statements beginning on page 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 yearend that are available for future spending. This *short-term* view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

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

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

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

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

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

Required Supplementary Information (RSI)
Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and condition assessment data related to infrastructure. RSI further supports the information in the basic financial statements.

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets increased $1.864 billion or 15.3 percent in fiscal year 2006. In comparison, net assets in the prior year increased $1.012 billion or 9.1 percent. This increase in net assets resulted from an improving economy and the active management of state resources. Approximately $526.1 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. Total restricted net assets increased $1.072 billion or 43.8 percent over the prior year. The $860.7 million increase in restricted net assets of governmental activities was primarily due to an increase of $709.7 million in expendable net assets for public education as a result of increased individual income and corporate tax revenues. Also, nonexpendable net assets for public education increased $156.8 million as a result of an increase in net earnings in the permanent Trust Lands Fund. Restricted net assets increased in business-type activities by $211.6 million primarily due to unemployment compensation revenues exceeding related claims by $174.9 million. The increase of $166.0 million in unrestricted net assets of governmental activities was primarily due to an increase in the unrestricted carry-forward balances in the General Fund of $202.7 million less decreases in carry-forward balances of other government funds. The increase of $100.0 million in unrestricted net assets of business-type activities was the result of normal operations and is primarily due to the State adding additional capital to the loan funds from mineral lease revenues and sales taxes. Net assets of business-type activities generally can be used only 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	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Current and Other Assets	$ 4,356,335	$ 3,358,120	$ 4,294,237	$ 3,375,986	$ 8,650,572	$ 6,734,106
Capital Assets	10,247,267	9,860,641	66,974	62,154	10,314,241	9,922,795
Total Assets	**14,603,602**	**13,218,761**	**4,361,211**	**3,438,140**	**18,964,813**	**16,656,901**
Current and Other Liabilities	692,891	699,180	47,057	39,972	739,948	739,152
Long-term Liabilities	1,955,484	2,113,602	2,249,277	1,648,535	4,204,761	3,762,137
Total Liabilities	**2,648,375**	**2,812,782**	**2,296,334**	**1,688,507**	**4,944,709**	**4,501,289**
Net Assets:						
Invested in Capital Assets, Net of Related Debt	8,719,751	8,197,279	32,068	28,419	8,751,819	8,225,698
Restricted	2,379,269	1,518,523	1,139,691	928,115	3,518,960	2,446,638
Unrestricted	856,207	690,177	893,118	793,099	1,749,325	1,483,276
Total Net Assets	**$ 11,955,227**	**$ 10,405,979**	**$ 2,064,877**	**$ 1,749,633**	**$ 14,020,104**	**$ 12,155,612**
Percent change in total net assets from prior year	14.9 %		18.0 %		15.3 %	

The largest component of the State's net assets, 62.4 percent, reflects investments in capital assets (e.g., land, buildings, equipment, roads, and other infrastructure) less the outstanding debt issued to finance those assets. As capital assets, these resources are not available for future spending, nor can they be readily liquidated to pay off their related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

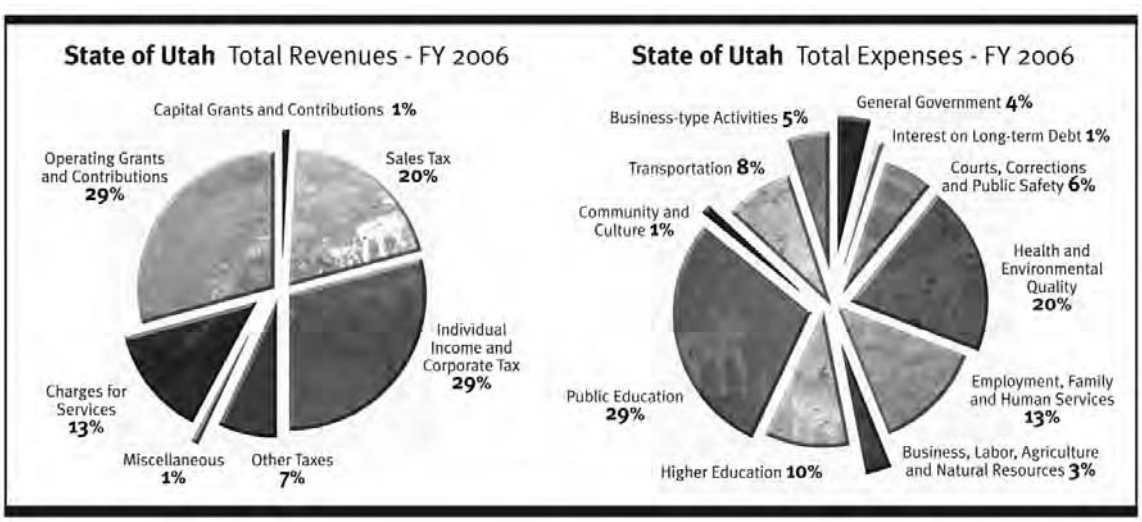
Restricted net assets comprise 25.1 percent of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted by the *Constitution of Utah* include income and corporate taxes that can be used only for public and higher education costs and for motor fuel taxes that can be used only for transportation expenses.

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

The schedule and charts that follow summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2006.

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
	2006	2005	2006	2005	2006	2005	2005 to 2006
Revenues							
General Revenues:							
Taxes	$ 5,470,916	$ 4,519,789	$ 14,875	$ 14,874	$ 5,485,791	$ 4,534,663	21.0 %
Other General Revenues	124,939	65,481	308	4,070	125,247	69,551	80.1 %
Program Revenues:							
Charges for Services	705,095	615,844	589,104	507,583	1,294,199	1,123,427	15.2 %
Operating Grants and Contributions	2,744,231	2,436,116	109,140	65,173	2,853,371	2,501,289	14.1 %
Capital Grants and Contributions	100,519	124,836	—	—	100,519	124,836	(19.5)%
Total Revenues	**9,145,700**	**7,762,066**	**713,427**	**591,700**	**9,859,127**	**8,353,766**	18.0 %
Expenses							
General Government	289,749	240,091	—	—	289,749	240,091	20.7 %
Human Services and Youth Corrections	595,337	573,154	—	—	595,337	573,154	3.9 %
Corrections, Adult	208,922	195,716	—	—	208,922	195,716	6.7 %
Public Safety	182,042	162,922	—	—	182,042	162,922	11.7 %
Courts	109,180	98,319	—	—	109,180	98,319	11.0 %
Health and Environmental Quality	1,635,544	1,461,016	—	—	1,635,544	1,461,016	11.9 %
Higher Education	810,228	694,732	—	—	810,228	694,732	16.6 %
Employment and Family Services	405,845	409,334	—	—	405,845	409,334	(0.9)%
Natural Resources	133,441	121,714	—	—	133,441	121,714	9.6 %
Community and Culture	84,843	86,065	—	—	84,843	86,065	(1.4)%
Business, Labor, and Agriculture	90,573	84,992	—	—	90,573	84,992	6.6 %
Public Education	2,321,139	2,169,071	—	—	2,321,139	2,169,071	7.0 %
Transportation	640,251	579,914	—	—	640,251	579,914	10.4 %
Interest on Long-term Debt	70,345	76,382	—	—	70,345	76,382	(7.9)%
Student Assistance Programs	—	—	152,895	95,495	152,895	95,495	60.1 %
Unemployment Compensation	—	—	102,476	142,632	102,476	142,632	(28.2)%
Water Loan Programs	—	—	6,560	8,648	6,560	8,648	(24.1)%
Other Business-type Activities	—	—	155,265	141,374	155,265	141,374	9.8 %
Total Expenses	**7,577,439**	**6,953,422**	**417,196**	**388,149**	**7,994,635**	**7,341,571**	8.9 %
Excess Before Transfers	1,568,261	808,644	296,231	203,551	1,864,492	1,012,195	
Transfers	(19,013)	9,437	19,013	(9,437)	—	—	
Change in Net Assets	**1,549,248**	**818,081**	**315,244**	**194,114**	**1,864,492**	**1,012,195**	
Net Assets – Beginning as Adjusted	10,405,979	9,587,898	1,749,633	1,555,519	12,155,612	11,143,417	
Net Assets – Ending	**$ 11,955,227**	**$ 10,405,979**	**$ 2,064,877**	**$ 1,749,633**	**$ 14,020,104**	**$ 12,155,612**	**15.3 %**



Changes in Net Assets

This year the State received 55.6 percent of its revenues from state taxes and 30.0 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 54.3 percent and grants and contributions were 31.4 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 14.4 percent of total revenues in fiscal year 2006, compared with 14.3 percent in fiscal year 2005.

Governmental Activities

The State's total governmental revenues from all sources increased $1.384 billion or 17.8 percent. Tax revenues increased $951.1 million or 21.0 percent. This increase in taxes reflects a continued improvement in economic conditions and is similar to the increase at the fund level. However, 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, 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 entitled "General Fund" on page 19. For fiscal year 2006, higher education expenses increased by $115.5 million compared to the prior year, due in part to an increase of $72.9 million spent for building projects completed for colleges and universities. An increase in general state support for higher education accounted for the balance of the increase.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2006, state taxes and other general revenues covered 53.2 percent of expenses. The remaining $3.550 billion or 46.8 percent of the total expenses were generated through charges for services and grants. As discussed in the "General Fund" section on page 19, federal mineral lease revenues increased significantly in fiscal year 2006. This increase was the largest single factor that caused Program Revenues to exceed Program Expenses by $41.8 million in the general government function.

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

	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
	2006	2006	2006	2005	2006	2005
General Government	$ 289,749	$ (331,515)	$ (41,766)	$ 28,977	114.4 %	87.9 %
Human Services and Youth Corrections	595,337	(286,594)	308,743	277,765	48.1	51.5 %
Corrections, Adult	208,922	(5,007)	203,915	192,762	2.4	1.5 %
Public Safety	182,042	(102,033)	80,009	65,082	56.0	60.1 %
Courts	109,180	(47,934)	61,246	51,199	43.9	47.9 %
Health and Environmental Quality	1,635,544	(1,265,565)	369,979	317,708	77.4	78.3 %
Higher Education	810,228	(1,536)	808,692	693,106	0.2	0.2 %
Employment and Family Services	405,845	(353,168)	52,677	48,960	87.0	88.0 %
Natural Resources	133,441	(86,037)	47,404	46,642	64.5	61.7 %
Community and Culture	84,843	(40,568)	44,275	42,592	47.8	50.5 %
Business, Labor, and Agriculture	90,573	(73,074)	17,499	16,654	80.7	80.4 %
Public Education	2,321,139	(506,957)	1,814,182	1,722,677	21.8	20.6 %
Transportation	640,251	(449,857)	190,394	196,120	70.3	66.2 %
Interest on Long-term Debt	70,345	—	70,345	76,382		
Total Governmental Activities	**$ 7,577,439**	**$ (3,549,845)**	**$ 4,027,594**	**$ 3,776,626**	**46.8 %**	45.7 %

Business-type Activities

Operating revenues from the State's business-type activities increased $121.7 million or 20.6 percent from the prior year. This increase is due, in part, to a $47.6 million increase in revenues in the Student Assistance Programs, as a result of higher interest rates on student loans and an increase in revenues from federal reinsurance. Revenues in the Unemployment Compensation Fund increased $31.3 million, as higher claims in recent years resulted in increased employer taxes. Liquor sales increased by $20.2 million, primarily due to higher sales volume. Investment income increased $15.9 million due to rising interest rates. Total operating expenses for the State's business-type activities increased $29.0 million, or 7.5 percent. The increase was largely due to claims expenses increasing $22.5 million in the Student Assistance Programs, as payments to lenders increased for guaranteed claims due to more defaults by borrowers.

All of the State's business-type activities operate from program revenues, except for the Water Loan Programs and the Agriculture Loan Fund that by law receive dedicated sales taxes and the Community Impact Loan Fund that receives federal mineral lease revenues to provide additional capital for loans. Accounting standards require unemployment taxes that are collected from employers and deposited in the Unemployment Compensation Fund 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, 2006, the State's governmental funds reported combined ending fund balances of $3.173 billion. Of this amount, $1.587 billion or 50.0 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 $1.199 billion or 37.8 percent of total fund balances has been designated through internally imposed limitations on uses of certain funds. Note 11 on page 95 provides more details about reserved and designated fund balances at June 30, 2006. The remaining $386.9 million or 12.2 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, 2006
(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund	Trust Lands Fund	Nonmajor Funds	Total
Reserved	$ 300,497	$ 66,474	$ 44,961	$ 143,490	$ 751,024	$ 280,634	$ 1,587,080
Unreserved Designated	483,510	652,613	48,107	672	—	14,432	1,199,334
Unreserved Undesignated	85,129	223,302	116,817	—	—	(38,374)	386,874
Total	**$ 869,136**	**$ 942,389**	**$ 209,885**	**$ 144,162**	**$ 751,024**	**$ 256,692**	**$ 3,173,288**
Percent change from prior year	32.90 %	131.83 %	1.86 %	(21.84)%	26.38 %	(22.07)%	33.63 %

General Fund

During fiscal year 2006, the General Fund's total fund balance increased $215.2 million or 32.9 percent. This increase was due in large part to sales tax revenues coming in $62.3 million greater than budgeted and to $155.5 million being set aside in the budget and designated by the Legislature for fiscal year 2007 appropriations. In contrast, in the prior year, the Legislature designated only $74.6 million for the next year's appropriations. The General Fund ended fiscal year 2006 with a "surplus" from unreserved and undesignated sources of $108.5 million. State law normally requires 25 percent of the "surplus" to be transferred to the General Fund Budget Reserve Account ("Rainy Day Fund"). However, state law limits the combined totals of the General Fund Budget Reserve Account and the Education Budget Reserve Account to 6 percent of combined appropriations. As a result, $21.9 million, or 20.2 percent was transferred to the General Fund Budget Reserve Account and included in designated fund balance. An additional $1.4 million was carried forward by law for other purposes as designated for specific appropriation in 2007. The General Fund ended the year with $85.1 million in unreserved/undesignated fund balance. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance. The General Fund Budget Reserve Account ended fiscal year 2006 with a balance of $131.6 million.

Total General Fund revenues increased $416.4 million or 10.0 percent from the prior year. Total tax collections increased $193.1 million or 10.2 percent. The major positive changes in tax revenues were in sales tax, which increased $156.6 million or 9.4 percent as Utah's economy continues to improve; and in oil, gas, and mining severance tax, which increased $23.6 million or 36.4 percent. Federal funding was the largest single factor in increasing non-tax revenues for the fiscal year, as federal mineral lease revenues increased $74.1 million or 89.7 percent, driven by higher oil prices; and federal contracts and grants climbed $83.0 million or 4.7 percent from the prior year, driven by demand for services and higher costs.

Total General Fund expenditures increased by $316.8 million or 7.9 percent. The increase was due in part to a 2.5 percent cost-of-living adjustment provided for state employees and increased costs for employee health and dental benefits of 11.8 and 6.0 percent, respectively. Additional market comparability wage adjustments were also provided to approximately 14,000 state employees. The balance of the increase in expenditures is evidence of a continued high demand for government services. The following areas were impacted most:

- *Health and Environmental Quality* – Total expenditures in this category jumped $173.6 million, primarily due to increased Medicaid program costs resulting from increased caseloads and inflationary increases for Medicaid provider rates.
- *Higher Education* – Total expenditures in this category were up $44.2 million, primarily due to additional state appropriations for employee health and dental increases, salary increases, and increases in expenditures for operations and maintenance of existing and new buildings.

In addition to the functions, for fiscal year 2006 the State's economic development function was moved from the Department of Community and Economic Development to the newly created Governor's Office of Economic Development, per HB 318, *Community and Economic Development Restructuring*, 2005 General Session. This change resulted in a shift of expenditures to the general government function of $25.5 million in fiscal year 2006.

Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2006 budget during the 2005 General Session. The original General Fund budget at the start of fiscal year 2006, excluding department-specific revenue sources such as federal grants, departmental collections, and including miscellaneous transfers, was 6.1 percent higher than the final fiscal year 2005 budget. The Legislature also had to address critical and mandated program increases, such as providing the State's matching share of projected increases in caseloads and inflationary increases for the Medicaid program. Other increases included funding for higher education and increases in employee salaries and benefits.

The budget was again addressed during the 2006 General Session of the Legislature (January to March 2006). General revenue estimates had increased $186.7 million over those adopted in the 2005 General Session primarily due to increased revenue estimates of sales and use tax. Increased revenue estimates allowed the Legislature to designate $155.5 million of expected excess revenue for fiscal year 2007 appropriations.

Final budgets of department-specific revenue sources increased over original budgets and actual department-specific revenues increased over final budgets mostly due to an increase in federal mineral lease revenues. Final budgets for many of the departmental-specific revenue sources and related expenditures such as federal grants, departmental collections, and miscellaneous revenues, are generally revised based on actual collections. The difference between final budgeted expenditures and actual expenditures is primarily due to nonlapsing and unspent restricted funds that will be carried forward to the next year. However, $1.7 million of unspent budgeted dollars were lapsed back to the General Fund by agencies.

Uniform School Fund

The Uniform School Fund's fund balance increased $535.9 million or 131.8 percent from the prior year. Corporate tax receipts increased $170.3 million or 81.4 percent compared to the prior year, individual income tax receipts increased $377.8 million or 19.4 percent, and federal funding increased by $27.1 million or 7.9 percent. Expenditures for public education increased by $154.0 million or 7.1 percent, as the Legislature increased the budget for enrollment growth and for increased costs related to employee salary and benefit increases. The Uniform School Fund ended the year with a "surplus" from unreserved and undesignated sources of $279.9 million. State law normally requires 25 percent of the "surplus" to be transferred to the Education Budget Reserve Account. However, state law limits the combined totals of the General Fund Budget Reserve Account and the Education Budget Reserve Account to 6 percent of combined appropriations. As a result, $56.6 million or 20.2 percent was transferred to the Education Budget Reserve Account, resulting in a final unreserved and undesignated fund balance of $223.3 million. Established by the Legislature in 2003, the Education Budget Reserve Account ended fiscal year 2006 with a balance of $123.4 million.

Transportation Fund

The fund balance of the Transportation Fund increased $3.8 million or 1.9 percent from the prior year. Revenues increased by $109.2 million or 14.9 percent, primarily due to a $55.4 million increase in federal contracts and grants and a $23.9 million increase in charges for services. Expenditures increased by 108.8 million or 15.8 percent as a result of increased spending on federal participating highway projects.

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

Transportation Investment Fund

The fund balance of the Transportation Investment Fund decreased by $40.3 million or 21.8 percent from the prior year. Revenues in the fund increased $33.7 million or 54.4 percent, mostly due to an increase in sales and use taxes of $60.3 million as a result of

House Bill 1008, *Transportation Investment Act*, of the 2005 First Special Session. This bill earmarked an additional $59.6 million from sales and use tax revenue annually for Centennial Highway projects accounted for within this fund. The increase in tax revenues was offset by a decrease in federal revenues of $27.3 million or 83.5 percent. Expenditures in the fund increased by $34.9 million or 24.7 percent, primarily in construction expenditures for the projects specific to this fund.

Trust Lands Fund

The fund balance of the permanent Trust Lands Fund increased by $156.8 million or 26.4 percent due to revenues generated from land use, sales of trust lands, and investment income. The permanent fund also generated $18.1 of cash investment earnings for the Uniform School Fund that is earmarked for distribution to local school districts. The principal in the fund is held in perpetuity with earnings restricted primarily to support public education.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs

The Student Assistance Programs finished the year with an increase in net assets of $20.2 million or 8.2 percent. Growth of the student loan portfolio and higher student loan interest rates accounted for most of the increase. As a result, loans receivable increased $298.6 million or 20.5 percent over last year. Of total net assets of $265.2 million, $178.5 million is restricted for use within the Student Assistance Programs by bond covenants or by federal law.

Unemployment Compensation Fund

The State's unemployment rate decreased compared to the rate one year ago. The improving employment situation resulted in a $40.2 million or 28.2 percent decrease in benefit payments from the prior year. For the second consecutive year, employer taxes and other revenues exceeded benefit payments. Assets were sufficient to handle the demand for benefits, and net assets increased $174.9 million or 34.1 percent, to $687.1 million. The entire balance of net assets in this fund is restricted for paying unemployment benefits by state and federal law.

Water Loan Programs

The net assets of the Water Loan Programs increased $34.2 million or 6.1 percent from the prior year. Additional capital for loans was provided from $14.4 million in dedicated sales tax revenues and $13.4 million in federal grants, in addition to net operating revenues in the fund. Loans receivable for the programs increased $24.4 million or 5.1 percent over the prior year. Of total net assets of $597.9 million, $236.2 million is restricted for use within the Water Loan Programs by bond covenants or by federal grant requirements.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased a net $391.4 million during the year. The change consisted of net increases in infrastructure (highways) of $155.9 million; land and related assets of $56.9 million; and buildings, improvements, and construction in progress of $181.1 million. Machinery and equipment decreased a net $2.5 million during the year. Many buildings financed by the State are actually owned by the colleges and universities, which are discrete component units of the State. Therefore, while the capital assets are on the component unit's financial statements, any outstanding debt issued by the State to finance construction of those assets is reported as a liability of the State's governmental activities. This in turn reduces unrestricted net assets. As of June 30, 2006, the State had $31.9 million of outstanding debt related to capital assets of component units.

At June 30, 2006, the State had $226.2 million in commitments for building projects in its capital projects funds, and $516.5 million ($321.6 million in the Transportation Investment Fund and $194.9 million in the Transportation Fund) in commitments for highway construction and improvement projects. Funding for the commitments will come from existing resources in these funds and from future bond proceeds and appropriations.

The State has adopted an allowable alternative to reporting depreciation for 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 2005, indicated that 69.5 percent of the roads were in "fair" or better condition. Only 6.3 percent of the roads assessed were in "very poor" condition. These results reflect a slight decline from conditions in calendar year 2004, when 74.7 percent of the roads were assessed as "fair" or better, and 6.2 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 2006, indicated that 71.0 percent and 2.0 percent of bridges were in "good" and "poor" condition, respectively. These results are similar to the prior year.

During fiscal year 2006, the State spent $431.3 million to maintain and preserve roads and bridges. This amount is 52.2 percent above the estimated amount of $283.4 million needed to maintain these assets at established condition levels.

More information about capital assets is included in Note 8 on page 82, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on page 114.

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 45 percent of the appropriations limit. As of June 30, 2006, the State was $385.9 million below the statutory debt limit and $1.548 billion 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
Net Outstanding Bonded Debt as of June 30
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2006	2005	2006	2005	2006	2005	2005 to 2006
General Obligation Bonds	$ 1,436.8	$ 1,587.8	$ —	$ —	$ 1,436.8	$ 1,587.8	(9.5)%
Revenue Bonds:							
State Building Ownership Auth.	295.6	311.6	38.3	31.2	333.9	342.8	(2.6)
Student Assistance Programs	—	—	2,138.1	1,544.8	2,138.1	1,544.8	38.4
Total Bonds Payable	**$ 1,732.4**	**$ 1,899.4**	**$ 2,176.4**	**$ 1,576.0**	**$ 3,908.8**	**$ 3,475.4**	**12.5 %**

The State issued no new general obligation bonds during fiscal year 2006. The State issued a total of $642.0 million of revenue bonds. Of the revenue bonds issued, $8.4 million was to provide for capital facility construction, and $633.7 million was to provide capital for purchasing student loans in the Student Assistance Programs.

The State's active management of its resources has helped the State maintain its triple-A rating on general obligation bonds, 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 beginning on page 86 contains more information about the State's outstanding debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Tax revenues are expected to increase moderately in fiscal year 2007. However, original general revenue estimates for the General Fund and Uniform School Fund for fiscal year 2007 are slightly lower than actual fiscal year 2006 revenues. This is because actual fiscal year 2006 revenues were much stronger than anticipated, creating record surpluses. The Legislature balanced the 2007 budget primarily by using anticipated 2006 carryover funds of $460.1 million and utilizing other miscellaneous sources. The Legislature provided increased funding for Medicaid, roads and highways, public and higher education, and capital projects. The State also provided a 3.5 percent cost-of-living adjustment to all state employees. An additional 2.75 percent or 5.5 percent compensation for market comparability adjustments was also provided for certain classifications within the Department of Corrections and the Utah Highway Patrol (a division of the Department of Public Safety).

Revenue collections to date in fiscal year 2007 are in line with original estimates.

Utah's economy is expected to remain stable in the near future. The average unemployment rate is expected to decline in 2006 to 3.3 percent, down from the average 2005 rate of 4.3 percent. Taxable retail sales are expected to increase 10.0 percent by the end of 2006, and growth in personal income is expected to be 9.0 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 2007.

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 Web site at: www.finance.utah.gov.

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

BASIC FINANCIAL STATEMENTS

Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 1,324,365	$ 964,923	$ 2,289,288	$ 1,270,529
Investments	769,088	488,693	1,257,781	984,281
Taxes Receivable, net	929,421	—	929,421	—
Accounts and Interest Receivable, net	492,268	164,598	656,866	348,315
Amounts Due From:				
Component Units	26,817	—	26,817	—
Primary Government	—	—	—	440
Prepaid Items	1,026	3,001	4,027	22,137
Inventories	16,637	22,568	39,205	45,295
Internal Balances	14,312	(14,312)	—	—
Restricted Investments	740,013	94,316	834,329	574,311
Deferred Charges	3,803	25,760	29,563	34,474
Notes/Loans/Mortgages/Pledges Receivable, net	32,871	2,544,690	2,577,561	1,123,467
Other Assets	5,714	—	5,714	13,422
Capital Assets:				
Land and Related Non-depreciable Assets	795,992	27,194	823,186	137,011
Infrastructure	7,702,596	—	7,702,596	—
Construction in Progress	803,907	889	804,796	186,322
Buildings, Equipment, and Other Depreciable Assets	1,678,320	59,454	1,737,774	3,795,778
Less Accumulated Depreciation	(733,548)	(20,563)	(754,111)	(1,728,082)
Total Capital Assets	10,247,267	66,974	10,314,241	2,391,029
Total Assets	14,603,602	4,361,211	18,964,813	6,807,700
LIABILITIES				
Accounts Payable and Accrued Liabilities	613,359	36,043	649,402	244,108
Amounts Due to:				
Component Units	440	—	440	—
Primary Government	—	—	—	26,817
Securities Lending	—	—	—	24,063
Unearned Revenue	79,092	10,436	89,528	64,672
Deposits	—	578	578	106,694
Long-term Liabilities (Note 10)				
Due Within One Year	241,195	5,646	246,841	245,880
Due in More Than One Year	1,714,289	2,243,631	3,957,920	2,068,179
Total Liabilities	2,648,375	2,296,334	4,944,709	2,780,413
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	8,719,751	32,068	8,751,819	1,878,273
Restricted for:				
Transportation	258,139	—	258,139	—
Public Education – Expendable	1,263,909	—	1,263,909	—
Public Education – Nonexpendable	751,024	—	751,024	—
Higher Education – Expendable	—	—	—	615,607
Higher Education – Nonexpendable	—	—	—	461,288
Capital Projects	—	—	—	—
Debt Service	5,860	—	5,860	171,877
Unemployment Compensation and Insurance Programs	4,671	687,128	691,799	59,678
Loan Programs	2,478	452,563	455,041	—
Other Purposes – Expendable	93,188	—	93,188	46
Unrestricted	856,207	893,118	1,749,325	840,518
Total Net Assets	$ 11,955,227	$ 2,064,877	$ 14,020,104	$ 4,027,287

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, 2006 (Expressed in Thousands)

Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	$ 289,749	$ 121,067	$ 210,448	$ —
Human Services and Youth Corrections	595,337	11,073	275,521	—
Corrections, Adult	208,922	4,483	524	—
Public Safety	182,042	32,777	69,256	—
Courts	109,180	47,330	604	—
Health and Environmental Quality	1,635,544	98,296	1,167,269	—
Higher Education	810,228	115	1,421	—
Employment and Family Services	405,845	8,492	344,676	—
Natural Resources	133,441	50,308	35,729	—
Community and Culture	84,843	5,368	35,200	—
Business, Labor, and Agriculture	90,573	64,098	8,976	—
Public Education	2,321,139	85,867	421,090	—
Transportation	640,251	175,821	173,517	100,519
Interest and Other Charges on Long-term Debt	70,345	—	—	—
Total Governmental Activities	7,577,439	705,095	2,744,231	100,519
Business-type:				
Student Assistance Programs	152,895	112,960	60,128	—
Unemployment Compensation	102,476	253,809	25,695	—
Water Loan Programs	6,560	10,715	17,193	—
Other Business-type Activities	155,265	211,620	6,124	—
Total Business-type Activities	417,196	589,104	109,140	0
Total Primary Government	$ 7,994,635	$ 1,294,199	$ 2,853,371	$ 100,519
Component Units:				
Utah Housing Corporation	$ 81,357	$ 86,049	$ —	$ —
Public Employees Health Program	538,870	524,770	2,902	—
University of Utah	1,966,266	1,489,587	393,612	29,802
Utah State University	434,028	117,074	174,340	52,331
Nonmajor Colleges and Universities	702,044	279,008	155,493	20,770
Nonmajor Component Units	55,161	26,517	2,422	—
Total Component Units	$ 3,777,726	$ 2,523,005	$ 728,769	$ 102,903

General Revenues:
- Taxes:
  - Sales and Use Tax
  - Individual Income Tax Imposed for Education
  - Corporate Tax Imposed for Education
  - Motor and Special Fuel Taxes Imposed for Transportation
  - Other Taxes
  - Total Taxes
- Investment Income
- State Funding for Colleges and Universities
- State Funding for Other Component Units
- Gain on Sale of Capital Assets
- Miscellaneous

Permanent Endowments Contributions

Transfers—Internal Activities

Total General Revenues and Transfers

Change in Net Assets

Net Assets—Beginning

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
$ 41,766	$ —	$ 41,766	$ —
(308,743)	—	(308,743)	—
(203,915)	—	(203,915)	—
(80,009)	—	(80,009)	—
(61,246)	—	(61,246)	—
(369,979)	—	(369,979)	—
(808,692)	—	(808,692)	—
(52,677)	—	(52,677)	—
(47,404)	—	(47,404)	—
(44,275)	—	(44,275)	—
(17,499)	—	(17,499)	—
(1,814,182)	—	(1,814,182)	—
(190,394)	—	(190,394)	—
(70,345)	—	(70,345)	—
(4,027,594)	0	(4,027,594)	0
—	20,193	20,193	—
—	177,028	177,028	—
—	21,348	21,348	—
—	62,479	62,479	—
0	281,048	281,048	0
(4,027,594)	281,048	(3,746,546)	0
—	—	—	4,692
—	—	—	(11,198)
—	—	—	(53,265)
—	—	—	(90,283)
—	—	—	(246,773)
—	—	—	(26,222)
0	0	0	(423,049)
1,921,048	14,875	1,935,923	—
2,496,911	—	2,496,911	—
379,801	—	379,801	—
356,176	—	356,176	—
316,980	—	316,980	—
5,470,916	14,875	5,485,791	0
46,856	—	46,856	861
—	—	—	682,886
—	—	—	37,999
46,084	—	46,084	—
31,999	308	32,307	—
—	—	—	26,782
(19,013)	19,013	—	—
5,576,842	34,196	5,611,038	748,528
1,549,248	315,244	1,864,492	325,479
10,405,979	1,749,633	12,155,612	3,701,808
$11,955,227	$ 2,064,877	$ 14,020,104	$ 4,027,287

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Governmental Fund Financial Statements

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

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

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

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

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

Nonmajor Funds
Nonmajor governmental funds are presented by fund type beginning on page 120.

State of Utah

Balance Sheet
Governmental Funds

June 30, 2006 (Expressed in Thousands)

	General	Special Revenue: Uniform School	Special Revenue: Transportation	Special Revenue: Transportation Investment Fund
ASSETS				
Cash and Cash Equivalents	$ 399,191	$ 518,069	$ 173,100	$ —
Investments	240,959	163,747	56,655	139,954
Receivables:				
Accounts, net	377,976	32,097	56,202	3,476
Accrued Interest	30	—	—	—
Accrued Taxes, net	262,093	602,286	64,285	757
Notes/Mortgages, net	21,072	8,879	365	—
Due From Other Funds	24,121	4,022	238	—
Due From Component Units	302	32	—	—
Inventories	—	—	11,557	—
Interfund Loans Receivable	28,111	—	—	—
Other Assets	—	—	—	—
Total Assets	$ 1,353,855	$ 1,329,132	$ 362,402	$ 144,187
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 364,171	$ 55,077	$ 109,821	$ 2
Due To Other Funds	13,594	371	3,950	—
Due To Component Units	25	415	—	—
Deferred Revenue	106,929	330,880	38,746	23
Total Liabilities	484,719	386,743	152,517	25
Fund Balances:				
Reserved for:				
Nonlapsing Appropriations and Encumbrances	118,904	39,407	3,083	—
Specific Purposes by Statute	170,853	27,067	41,878	143,490
Interfund Loans Receivable	10,740	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Unreserved Designated	483,510	652,613	48,107	672
Unreserved Designated, reported in nonmajor:				
Capital Projects Funds	—	—	—	—
Debt Service Funds	—	—	—	—
Unreserved Undesignated	85,129	223,302	116,817	—
Unreserved Undesignated, reported in nonmajor:				
Special Revenue Funds	—	—	—	—
Capital Projects Funds	—	—	—	—
Total Fund Balances	869,136	942,389	209,885	144,162
Total Liabilities and Fund Balances	$ 1,353,855	$ 1,329,132	$ 362,402	$ 144,187

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ 269	$ 168,724	$ 1,259,353
740,013	167,773	1,509,101
9,865	4,210	483,826
1,586	105	1,721
—	—	929,421
2,400	155	32,871
6,392	1,833	36,606
—	26,450	26,784
—	—	11,557
—	—	28,111
5,714	—	5,714
$ 766,239	$ 369,250	$ 4,325,065
$ —	$ 69,311	$ 598,382
95	17,789	35,799
—	—	440
15,120	25,458	517,156
15,215	112,558	1,151,777
—	226,160	387,554
751,024	47,563	1,181,875
—	—	10,740
—	521	521
—	6,390	6,390
—	—	1,184,902
—	100	100
—	14,332	14,332
—	—	425,248
—	54,974	54,974
—	(93,348)	(93,348)
751,024	256,692	3,173,288
$ 766,239	$ 369,250	$ 4,325,065

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

June 30, 2006 (Expressed in Thousands)

Total Fund Balances for Governmental Funds ………………………………………		$ 3,173,288
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	$ 795,975	
Infrastructure, Non-depreciable	7,702,596	
Construction-In-Progress	803,815	
Buildings, Equipment, and Other Depreciable Assets	1,491,613	
Accumulated depreciation	(620,101)	10,173,898
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. …..……………………………………………………...		438,885
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. ....…................…		74,599
Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. …………………………..…		3,279
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	(1,669,660)	
Unamortized Premiums	(83,287)	
Amount Deferred on Refunding	21,479	
Accrued Interest Payable	(1,556)	
Compensated Absences	(148,762)	
Capital Leases	(19,644)	
Contracts Payable	(7,292)	(1,908,722)
Total Net Assets of Governmental Activities ……………………………………..		$ 11,955,227

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, 2006 (Expressed in Thousands)

	General	Special Revenue: Uniform School	Special Revenue: Transportation	Special Revenue: Transportation Investment Fund
REVENUES				
Taxes:				
Sales and Use Tax	$ 1,820,992	$ —	$ 28,720	$ 65,888
Individual Income Tax	—	2,324,365	—	—
Corporate Tax	—	379,624	—	—
Motor and Special Fuels Tax	—	—	344,902	—
Other Taxes	271,178	29,627	11,169	—
Total Taxes	2,092,170	2,733,616	384,791	65,888
Other Revenues:				
Federal Contracts and Grants	1,859,583	371,769	264,262	5,416
Charges for Services/Royalties	256,025	1,333	49,524	—
Licenses, Permits, and Fees	18,725	4,735	68,738	21,486
Federal Mineral Lease	156,851	—	—	—
Federal Aeronautics	—	—	37,521	—
Intergovernmental	—	—	—	—
Investment Income	47,027	20,792	7,647	2,783
Miscellaneous and Other	164,890	10,309	27,860	—
Total Revenues	4,595,271	3,142,554	840,343	95,573
EXPENDITURES				
Current:				
General Government	200,631	—	—	—
Human Services and Youth Corrections	590,727	—	—	—
Corrections, Adult	203,419	—	—	—
Public Safety	177,201	—	—	—
Courts	111,541	—	—	—
Health and Environmental Quality	1,629,909	—	—	—
Higher Education – State Administration	43,505	—	—	—
Higher Education – Colleges and Universities	665,855	—	—	—
Employment and Family Services	412,855	—	—	—
Natural Resources	136,059	—	—	—
Community and Culture	82,627	—	—	—
Business, Labor, and Agriculture	79,138	—	—	—
Public Education	—	2,322,801	—	—
Transportation	—	—	799,132	176,300
Capital Outlay	—	—	—	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	4,333,467	2,322,801	799,132	176,300
Excess Revenues Over (Under) Expenditures	261,804	819,753	41,211	(80,727)
OTHER FINANCING SOURCES (USES)				
Sale of Trust Lands	—	—	—	—
Transfers In	323,689	6,215	83,449	196,832
Transfers Out	(370,336)	(290,073)	(120,824)	(156,393)
Total Other Financing Sources (Uses)	(46,647)	(283,858)	(37,375)	40,439
Net Change in Fund Balances	215,157	535,895	3,836	(40,288)
Fund Balances – Beginning	653,979	406,494	206,049	184,450
Fund Balances – Ending	$ 869,136	$ 942,389	$ 209,885	$ 144,162

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ —	$ —	$ 1,915,600
—	—	2,324,365
—	—	379,624
—	—	344,902
—	5,020	316,994
0	5,020	5,281,485
—	22,992	2,524,022
75,437	22,694	405,013
—	—	113,684
—	—	156,851
—	—	37,521
—	9,109	9,109
30,635	7,331	116,215
—	36,842	239,901
106,072	103,988	8,883,801
—	39,207	239,838
—	2,665	593,392
—	1,891	205,310
—	2,421	179,622
—	2,570	114,111
—	4,710	1,634,619
—	—	43,505
—	9,412	675,267
—	525	413,380
—	4,533	140,592
—	2,604	85,231
—	10,117	89,255
—	70	2,322,871
—	133	975,565
—	170,748	170,748
—	152,746	152,746
—	82,690	82,690
0	487,042	8,118,742
106,072	(383,054)	765,059
50,679	—	50,679
22	325,516	935,723
—	(15,172)	(952,798)
50,701	310,344	33,604
156,773	(72,710)	798,663
594,251	329,402	2,374,625
$ 751,024	$ 256,692	$ 3,173,288

State of Utah

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, 2006 (Expressed in Thousands)

Net Change in Fund Balances – Total Governmental Funds		$ 798,663
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 $541,185 exceeded depreciation $(51,617) and buildings "transferred" to component units $(91,471) in the current period. (See Note 8)		398,097
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.		(9,772)
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.		194,429
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.		8,182
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)		
Payment of Bond Principal	$ 152,746	
Capital Lease Payments	1,287	154,033
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:		
Compensated Absences Expenses	(8,733)	
Accrued Interest on Bonds Payable	81	
Amortization of Bond Premiums	18,041	
Amortization of Amount Deferred on Refunding	(3,810)	
Deferred Bond Issue Costs	(674)	
Contracts Payable Payments	711	5,616
Change in Net Assets of Governmental Activities		$ 1,549,248

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

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

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

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

Nonmajor Funds
Nonmajor enterprise funds are presented beginning on page 144.

Governmental Activities – Internal Service Funds
These funds are maintained to account for the operation of state agencies that provide goods or services to other state agencies and other governmental units on a cost-reimbursement basis. These funds are presented in more detail beginning on page 154.

Statement Of Net Assets
Proprietary Funds

June 30, 2006 (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	$ 80,782	$ 611,502	$ 87,919	$ 184,720
Investments	487,736	—	—	—
Receivables:				
Accounts, net	28,665	88,629	2,526	13,384
Accrued Interest	19,028	—	4,703	3,017
Notes/Loans/Mortgages, net	79,039	—	27,471	22,187
Due From Other Funds	—	—	178	15,484
Due From Component Units	—	—	—	—
Interfund Loans Receivable	—	—	—	20
Prepaid Items	2,968	—	—	33
Inventories	—	—	—	22,568
Deferred Charges	—	—	—	—
Total Current Assets	698,218	700,131	122,797	261,413
Noncurrent Assets:				
Restricted Investments	94,316	—	—	—
Investments	—	—	—	957
Prepaid Items	—	—	—	—
Accrued Interest Receivable	—	—	3,903	743
Notes/Loans/Mortgages Receivables, net	1,673,837	—	471,995	270,161
Deferred Charges	25,760	—	—	—
Capital Assets:				
Land	—	—	—	27,194
Infrastructure	—	—	—	204
Buildings and Improvements	12,186	—	—	32,213
Machinery and Equipment	1,623	—	—	13,228
Construction in Progress	—	—	—	889
Less Accumulated Depreciation	(2,295)	—	—	(18,268)
Total Capital Assets	11,514	0	0	55,460
Total Noncurrent Assets	1,805,427	0	475,898	327,321
Total Assets	2,503,645	700,131	598,695	588,734
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	21,244	2,012	692	11,020
Deposits	—	112	—	466
Due To Other Funds	—	8,308	—	21,133
Interfund Loans Payable	—	—	—	604
Unearned Revenue	1,986	—	61	2,513
Policy Claims and Uninsured Liabilities	1,107	2,571	—	—
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	433	—	—	1,260
Arbitrage Liability	275	—	—	—
Total Current Liabilities	25,045	13,003	753	36,996
Noncurrent Liabilities:				
Accrued Liabilities	1,024	—	—	—
Unearned Revenue	5,876	—	—	—
Interfund Loans Payable	—	—	—	—
Policy Claims and Uninsured Liabilities	1,282	—	—	—
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	2,137,697	—	—	37,082
Arbitrage Liability	67,570	—	—	—
Total Noncurrent Liabilities	2,213,449	0	0	37,082
Total Liabilities	2,238,494	13,003	753	74,078
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	942	—	—	31,126
Restricted for:				
Unemployment Compensation and Insurance Programs	—	687,128	—	—
Loan Programs	178,523	—	236,236	37,804
Unrestricted (Deficit)	85,686	—	361,706	445,726
Total Net Assets	$ 265,151	$ 687,128	$ 597,942	$ 514,656

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

Total	Governmental Activities – Internal Service Funds
$ 964,923	$ 65,012
487,736	—
133,204	6,027
26,748	—
128,697	—
15,662	12,474
—	33
20	—
3,001	751
22,568	5,080
—	6
1,782,559	89,383
94,316	—
957	—
—	275
4,646	—
2,415,993	—
25,760	518
27,194	17
204	321
44,399	7,323
14,851	179,063
889	92
(20,563)	(113,447)
66,974	73,369
2,608,646	74,162
4,391,205	163,545
34,968	10,595
578	—
29,441	1,685
604	16,787
4,560	656
3,678	11,443
—	42
1,693	46
275	—
75,797	41,254
1,024	—
5,876	165
—	10,740
1,282	35,282
—	602
2,174,779	903
67,570	—
2,250,531	47,692
2,326,328	88,946
32,068	72,396
687,128	4,671
452,563	2,478
893,118	(4,946)
$ 2,064,877	$ 74,599

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

For the Fiscal Year Ended June 30, 2006 (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	$ 53,754	$ 253,809	$ 570	$ 202,069
Fees and Assessments	1,452	—	—	4,064
Interest on Notes/Mortgages	56,338	—	10,145	5,390
Federal Reinsurance and Allowances/Reimbursements	42,868	911	—	—
Miscellaneous	1,416	—	—	97
Total Operating Revenues	155,828	254,720	10,715	211,620
OPERATING EXPENSES				
Administration	4,314	—	—	24,578
Purchases, Materials, and Services for Resale	—	—	—	114,095
Grants	—	—	6,268	688
Rentals and Leases	—	—	—	1,825
Maintenance	—	—	—	2,137
Interest	67,557	—	—	—
Depreciation	448	—	—	1,599
Student Loan Servicing and Related Expenses	25,417	—	—	—
Payment to Lenders for Guaranteed Claims	43,975	—	—	—
Benefit Claims and Unemployment Compensation	—	102,476	—	—
Supplies and Other Miscellaneous	11,184	—	292	8,582
Total Operating Expenses	152,895	102,476	6,560	153,504
Operating Income (Loss)	2,933	152,244	4,155	58,116
NONOPERATING REVENUES (EXPENSES)				
Investment Income	17,260	24,784	3,783	5,598
Federal Grants	—	—	13,410	526
Gain (Loss) on Sale of Capital Assets	—	—	—	—
Tax Revenues	—	—	14,350	525
Interest Expense	—	—	—	(1,546)
Refunds Paid to Federal Government	—	—	—	(215)
Other Revenues (Expenses)	—	—	146	162
Total Nonoperating Revenues (Expenses)	17,260	24,784	31,689	5,050
Income (Loss) before Transfers	20,193	177,028	35,844	63,166
Transfers In	—	—	1,582	72,807
Transfers Out	—	(2,160)	(3,198)	(50,018)
Change in Net Assets	20,193	174,868	34,228	85,955
Net Assets – Beginning	244,958	512,260	563,714	428,701
Net Assets – Ending	$ 265,151	$ 687,128	$ 597,942	$ 514,656

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

Total	Governmental Activities – Internal Service Funds
$ 510,202	$ 189,859
5,516	—
71,873	—
43,779	—
1,513	68
632,883	189,927
28,892	34,930
114,095	68,544
6,956	388
1,825	4,810
2,137	19,754
67,557	—
2,047	17,129
25,417	—
43,975	—
102,476	12,758
20,058	24,435
415,435	182,748
217,448	7,179
51,425	2,610
13,936	—
—	396
14,875	—
(1,546)	(65)
(215)	—
308	—
78,783	2,941
296,231	10,120
74,389	641
(55,376)	(2,579)
315,244	8,182
1,749,633	66,417
$ 2,064,877	$ 74,599

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2006 (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 ...	$ 52,282	$ 250,818	$ 10,498	$ 230,682
Receipts from Loan Maturities	494,564	—	45,688	20,975
Receipts Federal Reinsurance & Allowances/Reimburse ..	86,631	880	—	—
Receipts from State Customers	—	—	—	9,435
Student Loan Disbursements Received from Lenders	361,749	—	—	—
Student Loan Disbursements Sent to Schools/Lenders	(364,084)	—	—	—
Payments to Suppliers/Claims/Grants	(28,649)	(108,256)	(3,864)	(127,400)
Disbursements for Loans Receivable	(789,099)	—	(70,225)	(61,274)
Payments on Loan Guarantees	(41,807)	—	—	—
Payments for Employee Services and Benefits	(8,190)	—	—	(24,448)
Payments to State Suppliers and Grants	—	—	(2,258)	4,608
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	(31,824)
Net Cash Provided (Used) by Operating Activities	(236,603)	143,442	(20,161)	20,754
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	9,385
Repayments Under Interfund Loans	—	—	—	(7,243)
Receipts from Bonds, Notes, and Deposits	633,675	36	—	—
Payments of Bonds, Notes, Deposits, and Refunds	(40,420)	(46)	—	(215)
Interest Paid on Bonds, Notes, and Financing Costs	(70,752)	—	—	—
Federal Grants and Other Revenues	—	—	11,156	649
Restricted Sales Tax	—	—	14,350	525
Transfers In from Other Funds	—	—	1,582	71,330
Transfers Out to Other Funds	—	—	(3,198)	(48,149)
Net Cash Provided (Used) by Noncapital Financing Activities	522,503	(10)	23,890	26,282
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Repayments Under Interfund Loans	—	—	—	—
Proceeds from Bond and Note Debt Issuance	—	—	—	2,074
Proceeds from Disposition of Capital Assets	—	—	—	—
Principal Paid on Debt and Contract Maturities	—	—	—	(1,511)
Acquisition and Construction of Capital Assets	(476)	—	—	(9,012)
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	(1,535)
Transfers In from Other Funds	—	—	—	1,477
Transfers Out to Other Funds	—	(2,160)	—	(1,869)
Net Cash Provided (Used) by Capital and Related Financing Activities	(476)	(2,160)	0	(10,376)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	960,888	—	—	—
Receipts of Interest and Dividends from Investments	17,278	24,784	3,783	5,593
Payments to Purchase Investments	(1,266,821)	—	—	—
Net Cash Provided (Used) by Investing Activities	(288,655)	24,784	3,783	5,593
Net Cash Provided (Used) – All Activities	(3,231)	166,056	7,512	42,253
Cash and Cash Equivalents – Beginning	84,013	445,446	80,407	142,467
Cash and Cash Equivalents – Ending	$ 80,782	$ 611,502	$ 87,919	$ 184,720

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

Total	Governmental Activities – Internal Service Funds
$ 544,280	$ 44,937
561,227	—
87,511	—
9,435	147,620
361,749	—
(364,084)	—
(268,169)	(83,398)
(920,598)	—
(41,807)	—
(32,638)	(36,060)
2,350	(53,163)
(31,824)	—
(92,568)	19,936
9,385	—
(7,243)	—
633,711	—
(40,681)	(215)
(70,752)	(25)
11,805	—
14,875	—
72,912	—
(51,347)	(2,579)
572,665	(2,819)
0	(5,046)
2,074	—
0	3,745
(1,511)	(46)
(9,488)	(18,778)
(1,535)	(47)
1,477	641
(4,029)	—
(13,012)	(19,531)
960,888	—
51,438	2,610
(1,266,821)	—
(254,495)	2,610
212,590	196
752,333	64,816
$ 964,923	$ 65,012

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2006 (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)	$ 2,933	$ 152,244	$ 4,155	$ 58,116
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	448	—	—	1,599
Interest Expense for Noncapital and Capital Financing	64,222	—	—	—
Miscellaneous Gains, Losses, and Other Items	5,455	—	—	3,157
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	(8,698)	(13,217)	(100)	(6,400)
Notes/Accrued Interest Receivables	(303,283)	—	(24,653)	(40,623)
Inventories	—	—	—	(2,965)
Prepaid Items/Deferred Charges	(26)	—	—	(8)
Accrued Liabilities/Due to Other Funds	2,346	4,881	437	7,104
Unearned Revenue/Deposits	—	—	—	774
Notes Payable	—	—	—	—
Policy Claims Liabilities	—	(466)	—	—
Net Cash Provided (Used) by Operating Activities	$ (236,603)	$ 143,442	$ (20,161)	$ 20,754
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ (27)	$ (44)
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ (27)	$ (44)

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

Total	Governmental Activities – Internal Service Funds
$ 217,448	$ 7,179
2,047	17,129
64,222	—
8,612	—
(28,415)	(2,473)
(368,559)	—
(2,965)	(1,157)
(34)	1,229
14,768	(3,593)
774	(550)
0	120
(466)	2,052
$ (92,568)	$ 19,936
$ (71)	$ (18)
$ (71)	$ (18)

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Fiduciary Fund Financial Statements

Pension Trust Funds
These funds are used to account for the activities of the 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 are used to report resources of all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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

Individual funds are presented by fund type beginning on page 164.

State of Utah

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006 (Expressed in Thousands)

	Pension Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 1,317,881	$ 3,452	$ 38,337	$141,205
Receivables:				
Accounts	142	—	6,025	489
Contributions	29,953	—	—	—
Investments	799,437	—	—	—
Accrued Interest	—	50,145	—	—
Accrued Assessments	—	—	9,841	—
Due From Other Funds	—	—	937	1,940
Investments:				
Debt Securities	5,070,268	4,259,038	443,333	17,247
Equity Investments	11,536,659	—	1,257,136	—
Private Equity	611,589	—	—	—
Real Estate	2,353,273	—	—	—
Mortgage Loans	6,864	—	—	—
Invested Securities Lending Collateral	2,455,131	—	—	—
Investment Contracts	47,219	—	—	—
Total Investments	22,081,003	4,259,038	1,700,469	17,247
Capital Assets:				
Land	1,779	—	260	—
Buildings and Improvements	11,098	—	4,567	—
Machinery and Equipment	3,170	—	584	—
Less Accumulated Depreciation	(13,037)	—	(1,402)	—
Total Capital Assets	3,010	0	4,009	0
Total Assets	24,231,426	4,312,635	1,759,618	$160,881
LIABILITIES				
Accounts Payable	1,103,089	—	1,803	$ —
Securities Lending Liability	2,455,131	—	—	—
Due To Other Funds	—	—	694	—
Due To Other Individuals or Groups	—	—	—	43,314
Due To Other Taxing Units	—	—	—	117,567
Unearned Revenue	—	—	324	—
Leave/Postemployment Benefits	6,162	—	—	—
Policy Claims Liabilities/Insurance Reserves	5,467	—	348,224	—
Real Estate Liabilities	861,352	—	—	—
Total Liabilities	4,431,201	0	351,045	$160,881
NET ASSETS				
Held in trust for:				
Pension Benefits	17,458,149	—	—	
Deferred Compensation	2,342,076	—	—	
Pool Participants	—	4,312,635	—	
Individuals, Organizations, and Other Governments	—	—	1,408,573	
Total Net Assets	$ 19,800,225	$ 4,312,635	$ 1,408,573	
Participant Account Balance Net Asset Valuation Factor		0.99968		

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, 2006 (Expressed in Thousands)

	Pension Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 253,968	$ —	$ 398,292
Employer	479,270	—	—
Court Fees and Fire Insurance Premiums	11,206	—	—
Total Contributions	744,444	0	398,292
Pool Participant Deposits	—	7,284,251	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	1,247,972	(1,991)	71,868
Interest, Dividends, and Other Investment Income	450,113	196,574	37,267
Less Investment Expenses	(48,888)	(136)	—
Net Investment Income	1,649,197	194,447	109,135
Transfers From Affiliated Systems	24,957	—	—
Other Additions:			
Escheats	—	—	30,264
Royalties and Rents	—	—	2,864
Fees, Assessments, and Revenues	—	—	76,120
Miscellaneous	—	—	4,205
Total Other	0	0	113,453
Total Additions	2,418,598	7,478,698	620,880
DEDUCTIONS			
Pension Benefits	633,615	—	—
Refunds/Plan Distributions	132,746	—	—
Earnings Distribution	—	203,004	—
Pool Participant Withdrawals	—	6,972,200	—
Transfers To Affiliated Systems	24,957	—	—
Trust Operating Expenses	—	—	24,284
Distributions and Benefit Payments	—	—	57,734
Administrative and General Expenses	14,975	—	14,796
Total Deductions	806,293	7,175,204	96,814
Change in Net Assets Held in Trust for:			
Pension Benefits	1,374,055	—	—
Deferred Compensation	238,250	—	—
Pool Participants	—	303,494	—
Individuals, Organizations, and Other Governments	—	—	524,066
Net Assets – Beginning	18,187,920	4,009,141	884,507
Net Assets – Ending	$ 19,800,225	$ 4,312,635	$ 1,408,573

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

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Component Unit Financial Statements

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

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

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

Nonmajor Component Units
Nonmajor component units are presented beginning on page 176.

State of Utah

Combining Statement Of Net Assets
Component Units

June 30, 2006 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 446,814	$ 602	$ 558,042	$ 80,296
Investments	—	60,425	264,883	7,491
Receivables:				
Accounts, net	—	34,766	223,758	50,638
Notes/Loans/Mortgages/Pledges, net	15,243	—	6,691	16,809
Accrued Interest	4,858	1,172	2,759	—
Due From Primary Government	—	—	—	—
Prepaid Items	3,465	12,668	—	1,257
Inventories	—	—	30,005	3,489
Deferred Charges	—	—	8,111	—
Total Current Assets	470,380	109,633	1,094,249	159,980
Noncurrent Assets:				
Restricted Investments	103,907	—	316,230	59,857
Accounts Receivables, net	—	—	—	145
Investments	152,203	117,669	161,360	85,636
Notes/Loans/Mortgages/Pledges Receivables, net	983,324	—	51,985	2,862
Deferred Charges	10,134	—	15,888	—
Other Assets	5,942	—	—	—
Capital Assets (net of Accumulated Depreciation)	6,630	887	1,137,791	446,453
Total Noncurrent Assets	1,262,140	118,556	1,683,254	594,953
Total Assets	1,732,520	228,189	2,777,503	754,933
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	47,747	15,789	117,396	37,435
Securities Lending Liability	—	24,063	—	—
Deposits	—	—	95,355	416
Due To Primary Government	—	—	9,467	4,804
Unearned Revenue	—	4,337	23,742	17,616
Current Portion of Long-term Liabilities (Note 10)	116,465	71,079	24,214	9,638
Total Current Liabilities	164,212	115,268	270,174	69,909
Noncurrent Liabilities:				
Accrued Liabilities	773	—	—	—
Unearned Revenue	—	—	—	1,390
Deposits	—	—	9,019	—
Due To Primary Government	—	—	8,525	—
Long-term Liabilities (Note 10)	1,362,722	52,356	416,762	117,012
Total Noncurrent Liabilities	1,363,495	52,356	434,306	118,402
Total Liabilities	1,527,707	167,624	704,480	188,311
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,531	887	828,988	363,959
Restricted for:				
Nonexpendable:				
Higher Education	—	—	305,034	64,577
Expendable:				
Higher Education	—	—	355,204	94,798
Debt Service	171,877	—	—	—
Insurance Plans	—	59,678	—	—
Other	—	—	—	—
Unrestricted	30,405	—	583,797	43,288
Total Net Assets	$ 204,813	$ 60,565	$ 2,073,023	$ 566,622

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

Nonmajor Component Units	Total
$ 184,775	$ 1,270,529
22,137	354,936
28,355	337,517
5,438	44,181
775	9,564
440	440
4,747	22,137
11,801	45,295
341	8,452
258,809	2,093,051
94,317	574,311
1,089	1,234
112,477	629,345
41,115	1,079,286
—	26,022
7,480	13,422
799,268	2,391,029
1,055,746	4,714,649
1,314,555	6,807,700
24,968	243,335
—	24,063
1,086	96,857
2,414	16,685
17,587	63,282
24,484	245,880
70,539	690,102
—	773
—	1,390
818	9,837
1,607	10,132
119,327	2,068,179
121,752	2,090,311
192,291	2,780,413
681,908	1,878,273
91,677	461,288
165,605	615,607
—	171,877
—	59,678
46	46
183,028	840,518
$ 1,122,264	$ 4,027,287

State of Utah

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
Expenses	$ 81,357	$ 538,870	$ 1,966,266	$ 434,028
Program Revenues:				
Charges for Services:				
Tuition and Fees	—	—	159,115	87,397
Scholarship Allowances	—	—	(16,683)	(24,993)
Sales, Services, and Other Revenues (net of University of Utah patient services allowance of $41,801)	86,049	524,770	1,347,155	54,670
Operating Grants and Contributions	—	2,902	393,612	174,340
Capital Grants and Contributions	—	—	29,802	52,331
Total Program Revenues	86,049	527,672	1,913,001	343,745
Net (Expenses) Revenues	4,692	(11,198)	(53,265)	(90,283)
General Revenues:				
State Appropriations	—	—	249,608	144,577
Unrestricted Investment Income	—	—	—	—
Permanent Endowments Contributions	—	—	13,975	7,663
Total General Revenues	0	0	263,583	152,240
Change in Net Assets	4,692	(11,198)	210,318	61,957
Net Assets – Beginning	200,121	71,763	1,862,705	504,665
Net Assets – Ending	$ 204,813	$ 60,565	$ 2,073,023	$ 566,622

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

Nonmajor Component Units	Total
$ 757,205	$ 3,777,726
236,504	483,016
(38,396)	(80,072)
107,417	2,120,061
157,915	728,769
20,770	102,903
484,210	3,354,677
(272,995)	(423,049)
326,700	720,885
861	861
5,144	26,782
332,705	748,528
59,710	325,479
1,062,554	3,701,808
$ 1,122,264	$ 4,027,287

Index to the Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. **Reporting Entity**

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

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

Except where noted below, the State's component units issue their own separate audited financial statements as special-purpose governments engaged only in business-type activities. These financial statements can be obtained from their respective administrative offices or from the Utah State Auditor's Office, PO Box 142310, 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 provide services entirely or almost entirely to the primary government. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds.

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

Discrete Component Units

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

The State's major discrete component units are:

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

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

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

The State's nonmajor discrete component units are:

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

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

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

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

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

- **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.

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

- **Trust Lands Fund**. This is a permanent fund that accounts for land grants and the sale of 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 previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public.

Reporting for business-type activities and enterprise funds follow all GASB pronouncements, and all Financial Accounting Standards Board (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 technology services, fleet operations, risk management, copy and mail services, debt collection, property management, and transportation infrastructure. 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 Educational Savings Plan Trust.

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

Component Unit Financial Statements

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

D. Fiscal Yearends

All funds and discretely presented component units are reported using fiscal years which end on June 30, except the pension trust funds (fiduciary funds) and the Utah Dairy Commission (nonmajor enterprise fund), which have fiscal years ending December 31.

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

Cash and Cash Equivalents and Investments

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

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

Investments (including cash equivalents) are under the control of the State Treasurer or other administrative bodies as determined by law. In certain instances, investments may be restricted by law or other legal instruments. Investments are presented at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, 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 four types of derivative financial instruments at yearend: futures, currency forwards, options, and swaps. Futures contracts are traded on organized exchanges to minimize credit risk. Currency forwards are entered into in order to hedge the exposure to changes in foreign currency exchange rates on foreign currency dominated portfolio holdings. Utah Housing Corporation (major component unit) enters into various rate swap contracts in order to increase funding capabilities. The Corporation sells variable rate bonds and minimizes the inherent risk with the use of floating-to-fixed interest rate swap contracts. See Note 3 for additional information about derivatives.

Receivables

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

Notes/mortgages 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 Transportation Fund inventories that are recorded as expenditures when consumed. Transportation Fund inventories are valued using a weighted average cost.

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

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

Capital Assets

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

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

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

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

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

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

Accrued Liabilities

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

Deferred Revenue — Unearned and Unavailable

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

Policy Claims Liabilities

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

Long-term Debt

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

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

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

Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations.

Arbitrage liability is treated as an expense in the government-wide Statement of Net Assets and the proprietary fund financial statements when the liability is recognized. Arbitrage liability is recorded as an expenditure in the governmental funds financial statements when the liability is due. At June 30, 2006, the total estimated arbitrage rebate liability in the Student Assistance Programs (enterprise fund) was $67.845 million, of which $66.881 million represents yield reduction payments and $965 thousand represents the estimated liability 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 who have a sick leave balance in excess of 144 hours at the beginning of a calendar year are eligible to "convert" up to 40 hours of sick leave if less than that amount is used during the year. Employees may use converted sick leave in place of annual leave. Any balance in converted sick is paid to employees upon termination. This converted sick leave program ends on January 1, 2014. The total liability of the governmental activities for compensated absences is recorded in the government-wide Statement of Net Assets as part of long-term liabilities. However, in accordance with GAAP, the liability is not recorded in the governmental funds financial statements. See Note 10 for additional information about the liability.

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

At retirement, for participating agencies, an employee receives 25 percent of the value of unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. Each day of remaining sick leave is *either* used to purchase one month of health and life insurance coverage or Medicare supplement (if earned prior to January 1, 2006), *or* converted to a value and placed in a health reimbursement account (if earned on or after January 1, 2006). Regardless of the unused sick leave balance, the State will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee reaches age 65, whichever comes first. However, as of January 1, 2006, this part of the program will be phased out over the next five years. See Note 17 for additional information about postemployment benefits.

The State maintains compensated absences pools 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, Utah Schools for the Deaf and the Blind, 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.

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 vaccine commodities. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2006, the State reported revenue and expenditures of $16.956 million for commodities in the General Fund, and $10.005 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 are reported as expenditures in the appropriate function in governmental fund types or as expenses in applicable proprietary fund types. Pension and other benefit costs are recognized in the fiscal year in which the underlying payroll cost is incurred.

G. Interfund Transactions

Government-wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

NOTE 2. BEGINNING NET ASSET ADJUSTMENTS AND OTHER CHANGES

Effective July 1, 2005, the Legislature created the Transportation Investment Fund of 2005 (major governmental fund) and designated that projects, previously reported as part of the Centennial Highway Fund (major governmental fund), be reported within this new fund. This change had no impact on governmental activities reported in the current year or previous years.

NOTE 3. DEPOSITS AND INVESTMENTS

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

A. PRIMARY GOVERNMENT

Custodial Credit Risk — Deposits

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

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2006, were $337.575 million. Of these, $334.138 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing

Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The Act permits investing according to the rules of the Money Management Council for certain funds with a long-term perspective and funds acquired by gift, private grant, and the corpus of funds functioning as endowments. The Council's Rule 2 allows the State to invest these funds in any of the above investments or in any of the following, subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule.

The primary government's investments at June 30, 2006, are presented below. All investments, except those of the Utah Retirement Systems (pension trust funds), are presented by investment type and debt securities are presented by maturity. The Utah Retirement Systems are presented consistent with their separately issued financial statements by investment type.

Primary Government Investments
(except Pension Trust Funds)
(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
Debt Securities					
U.S. Treasuries	$ 4,756	$ 1,556	$ 3,200	$ —	$ —
U.S. Agencies	2,423,866	2,253,112	168,077	—	2,677
Corporate Debt	5,137,275	5,137,275	—	—	—
Negotiable Certificates of Deposit	272,809	272,809	—	—	—
Money Market Mutual Fund	40,000	40,000	—	—	—
Commercial Paper	207,122	207,122	—	—	—
Bond Mutual Fund *	507,580	—	—	507,580	—
Repurchase Agreements	15,544	15,544	—	—	—
	8,608,952	$ 7,927,418	$ 171,277	$ 507,580	$ 2,677
Other Investments					
Equity Securities	25,000				
Equity Mutual Funds Securities:					
Domestic	1,468,068				
International	227,047				
U.S. Unemployment Trust Pool	608,871				
Real Estate Held for Investment Purposes	957				
Real Estate Joint Ventures	568				
Component Units Investment in Primary Government's Investment Pool	(717,442)				
Total	$10,222,021				

***** At June 30, 2006, the bond mutual fund had an average effective maturity of 7.2 years.

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

U.S. agency debt securities of $1.6 billion owned by the primary government reset periodically and have a maximum maturity out to three years. The securities "step up" to higher interest rates at levels determined at the time of purchase. These securities are callable at par and on a quarterly basis may be called or stepped up; if held to maturity they will mature at par. In the current rising interest rate environment, some of these adjustable rate securities have not kept pace with the increase in rates as reflected in their fair market values. In the table above, U.S. agency securities are presented according to the length of time until the next reset date rather than the stated maturity.

In addition, significant funds with a long-term investment perspective have the following mix of investments (percentages are of the fund's total investments). Utah Educational Savings Plan Trust (private purpose trust) – $1.119 billion, 77.3 percent, in domestic equity mutual fund securities; $227.566 million, 15.7 percent, in bond mutual fund; $101.849 million, 7.0 percent, in international equity mutual fund securities. Trust Lands (permanent fund) – $318.751 million, 44.3 percent, in domestic equity mutual fund securities; $275.867 million, 38.3 percent, in bond mutual fund; and $125.198 million, 17.4 percent, in international equity mutual fund securities.

Pension Trust Funds Investments
At December 31, 2005
(Expressed in Thousands)

Investment Type	Fair Value
Debt Securities – Domestic	$ 3,471,621
Debt Securities – International	400,941
Equity Securities – Domestic	5,794,377
Equity Securities – International	3,672,021
Short-term Securities Pools	1,323,887
Mortgage Loans:	
Collateralized Loans	19
Real Estate Notes	6,846
Real Estate	2,353,273
Alternative Investments (Venture Capital)	611,590
Guaranteed Investment Contracts	47,219
Equity Securities – Domestic (Pooled)	343,136
Mutual Fund – International	246,364
Mutual Fund – Balanced	299,263
Investments Held by Broker-dealers Under Securities Lending Program:	
U.S. Government and Agency Securities	628,764
Corporate Debt Securities – Domestic	104,586
Debt Securities – International	464,353
Equity Securities – Domestic	1,177,330
Equity Securities – International	4,169
Total Investments	20,949,759
Securities Lending Collateral Pool	2,455,131
Total Pension Trust Funds	$ 23,404,890

Interest Rate Risk — Investments

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

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

The Utah Retirement Systems (URS) manage their exposure to fair value loss arising from increasing interest rates by complying with the following policy:

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

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

The URS compares an investment's effective duration against the Lehman Brothers Aggregate Index for domestic debt securities and the Lehman Brothers Global Aggregate Index for international debt securities. The index range at December 31, 2005, was 3.43–5.71 for domestic debt securities and 2.64–7.93 for international debt securities. At December 31, 2005, no individual debt security investment manager's portfolio was outside of the policy guidelines. At December 31, 2005, the following tables show the investments by investment type, amount and the effective weighted duration rate.

Pension Trust Funds
Debt Securities Investments, Domestic
(Expressed in Thousands)

Investment	Fair Value	Effective Weighted Duration
Asset backed securities	$ 164,829	0.98
Commercial mortgage backed securities	127,799	4.04
Convertible equity	2,217	NA
Corporate bonds	542,962	4.78
Corporate convertible bonds	171	NA
Fixed income derivatives-futures	161,874	(0.29)
Fixed income derivatives-options	674	189.70
Fixed income futures	(161,874)	NA
Government agencies	81,920	4.05
Government bonds	493,588	7.13
Government mortgage backed securities	1,505,962	3.84
Index linked government bonds	118,136	2.97
Municipal/provincial bonds	2,201	8.55
Non-government backed C.M.O.'s	387,476	2.12
Other fixed income	7,598	NA
Pooled debt securities	769,440	NA
Total debt securities investments, domestic	$ 4,204,973	4.14

Pension Trust Funds
Debt Securities Investments, International
(Expressed in Thousands)

Investment	Fair Value	Effective Weighted Duration
Asset backed securities	$ 15,915	2.28
Commercial mortgage backed securities	12,446	3.11
Corporate bonds	349,346	5.06
Fixed income derivatives-options	(30)	141.91
Government agencies	10,225	2.92
Government bonds	404,290	6.69
Government mortgage backed securities	45,422	3.41
Index linked government bonds	1,937	8.45
Municipal/provincial bonds	14,475	7.01
Non-government backed C.M.O.'s	11,269	3.21
Total debt securities investments, international	$ 865,295	5.83

Credit Risk of Debt Securities

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

The primary government's rated debt investments as of June 30, 2006, with the exception of URS, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Primary Government Rated Debt Investments
(except Pension Trust Funds)
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 2,423,866	$ 2,232,002	$ —	$ 191,035	$ —
Corporate Debt	$ 5,137,275	$ 565,748	$ 835,288	$ 3,357,712	$ 378,527
Negotiable Certificates of Deposit	$ 272,809	$ —	$ 30,046	$ 242,763	$ —
Money Market Mutual Fund	$ 40,000	$ —	$ —	$ —	$ —
Commercial Paper	$ 207,122	$ —	$ —	$ —	$ —
Bond Mutual Fund	$ 507,580	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Treasuries	$ 7,608	$ —	$ —	$ —	$ —
U.S. Agencies	$ 7,936	$ 7,936	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings A1 *	Unrated
U.S. Agencies	$ —	$ 829
Corporate Debt	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —
Money Market Mutual Fund	$ —	$ 40,000
Commercial Paper	$ 207,122	$ —
Bond Mutual Fund	$ —	$ 507,580
Repurchase Agreements – Underlying:		
U.S. Treasuries	$ —	$ 7,608
U.S. Agencies	$ —	$ —

***** A1 is Commercial Paper rating

The Utah Retirement Systems (URS) expects its domestic debt securities investment managers to maintain diversified portfolios by sector using the following guidelines:

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

Upon approval, the international debt securities investment managers may hold up to 25 percent of the market value of their portfolios in securities rated below investment grade (S&P index BBB– or Moody's index Baa3). The remaining assets shall have on average an investment grade rating.

The weighted quality rating average of the domestic debt securities, excluding pooled investments, at December 31, 2005, was AA+ and the fair value of below grade investments was $51.912 million or 1.25 percent of the domestic portfolio. The weighted quality rating average of the international debt securities investments, at December 31, 2005, was AA– and the fair value of below grade investments was $6.675 million or 0.77 percent of the international portfolio.

The following table presents the URS ratings as of December 31, 2005:

Pension Trust Funds
Debt Securities Investments at Fair Value
(Expressed in Thousands)

Quality Rating	Domestic	International	Total
AAA	$ 1,302,330	$ 405,237	$ 1,707,567
AA+	71,805	—	71,805
AA	19,227	19,839	39,066
AA–	50,986	50,635	101,621
A+	68,219	5,413	73,632
A	58,119	55,026	113,145
A–	49,260	49,200	98,460
BBB+	53,742	24,575	78,317
BBB	83,375	41,827	125,202
BBB–	38,447	18,989	57,436
BB+	14,936	591	15,527
BB	7,403	644	8,047
BB–	22,170	1,876	24,046
B	11,034	—	11,034
B–	—	381	381
NR	11,305	3,184	14,489
Total credit risk debt securities	1,862,358	677,417	2,539,775
U.S. Government and Agencies**	1,518,828	49,029	1,567,857
Pooled investments*	823,787	138,849	962,636
Total debt securities investments	$ 4,204,973	$ 865,295	$ 5,070,268

* Ratings of pooled investments were unavailable from the custodian.

** Ratings for the U.S. Government and Agencies category were unavailable from the custodian; however, securities issued by the U.S. government and its agencies are generally considered rated AAA or equivalent.

Custodial Credit Risk — Investments

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

The primary government's investments at June 30, 2006, except those of the Utah Retirement Systems, were held by the State or in the State's name by the State's custodial banks; except $15.544 million of repurchase agreements where the underlying securities were uninsured and held by the investment's counterparty, not in the name of the State.

At December 31, 2005, the Utah Retirement Systems (URS) investments were registered in the name of URS and held by their custodians except for $20.868 million of investments that were held by the custodians not in the name of URS and $(45.554) million of investments for which exposure to custodial credit risk could not be determined.

Concentration of Credit Risk — Investments

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

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

The primary government had debt securities investments at June 30, 2006, with more than 5 percent of the total investments in securities of the Federal Home Loan Bank and the Federal Home Loan Mortgage Corporation. These investments represented 13.3 percent and 6.5 percent, respectively, of investments subject to concentration of credit risk.

The Utah Retirement Systems debt securities investments had no single issuer investments that exceed their portfolio investment guidelines by sector and by issuer as follows:

- AAA/Aaa Debt Securities — no more than 5 percent of an investment manager's assets at market with a single issuer.
- AA–/Aa3 Debt Securities — no more than 4 percent of an investment manager's assets at market with a single issuer.

- A–/A3 Debt Securities — no more than 3 percent of an investment manager's assets at market with a single issuer.
- BBB–/Baa3 Debt Securities — no more than 2 percent of an investment manager's assets at market with a single issuer.
- For Debt Securities — no individual holding shall constitute more than 10 percent of the market value of outstanding debt of a single issuer with the exception of the U.S. government or its agencies, or collateralized mortgage obligations.
- For Domestic Equity Securities — no more than 4 percent of an investment manager's assets at market with a single issuer. Also, no more than 8 percent of an investment manager's assets shall be invested in the equity or REIT securities of any single issuer at market.
- For International Equity Securities — no more than 8 percent of an investment manager's assets at market with a single issuer.

Foreign Currency Risk — Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The primary government, except the Utah Retirement Systems (pension trust funds), does not have a formal policy to limit foreign currency risk.

The Utah Educational Savings Plan Trust (private purpose trust) has $101.849 million and the Trust Lands (permanent fund) has $125.198 million invested in international equity funds. As such, no currency denomination is presented.

The Utah Retirement Systems (URS) manage their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer to limit foreign currency and security risk.

Risk of loss arises from changes in currency exchange rates. The URS exposure to foreign currency risk is presented on the following table.

Pension Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
At December 31, 2005
(Expressed in Thousands)

Currency	Short Term	Debt	Equity	Total
Argentine peso	$ —	$ 381	$ —	$ 381
Australian dollar	(1,179)	11,267	60,098	70,186
Brazilian real	—	—	6,785	6,785
Canadian dollar	50	4,305	31,461	35,816
Danish krone	3	2,706	14,778	17,487
Euro	37,276	265,709	807,334	1,110,319
Hong Kong dollar	131	—	58,932	59,063
Japanese yen	11,636	51,976	609,831	673,443
Mexican peso	340	4,342	1,311	5,993
New Israeli shekel	—	2,619	—	2,619
New Taiwan dollar	—	—	2,263	2,263
New Zealand dollar	18	2,271	7,122	9,411
Norwegian krone	1	—	15,851	15,852
Poland zloty	—	3,564	—	3,564
Pound sterling	(1,226)	64,153	527,088	590,015
Republic of Korea won	—	9,102	29,635	38,737
Singapore dollar	36	—	20,376	20,412
Swedish krona	452	21,253	36,165	57,870
Swiss franc	495	—	226,968	227,463
Thailand baht	—	2,251	—	2,251
International equity mutual fund (various currencies)	—	—	246,364	246,364
Total Securities subject to foreign currency risk	48,033	445,899	2,702,362	3,196,294
United States dollars (securities held by international investment managers)	103,241	419,396	1,220,192	1,742,829
Total international investment securities	$ 151,274	$ 865,295	$ 3,922,554	$ 4,939,123

B. **COMPONENT UNITS**

Custodial Credit Risk — Deposits

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

The component units follow the Money Management Act by making deposits only in qualified financial institutions in accordance with the Act. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the component units at June 30, 2006, were $155.570 million. Of these, $147.578 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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

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

The component units' investments at June 30, 2006, are presented below.

Component Units Investments
(Expressed in Thousands)

		Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1–5	6–10	11–20	More Than 20
Debt Securities						
U.S. Treasuries	$ 296,229	$ 220,948	$ 73,989	$ 701	$ 591	$ —
Government National Mortgage Association	18	—	—	—	18	—
U.S. Agencies	569,202	220,804	130,167	27,488	163,482	27,261
Corporate Debt	47,233	10,532	15,986	16,224	4,491	—
Money Market Mutual Funds	185,271	184,117	1,154	—	—	—
Negotiable Certificates of Deposit	1,500	897	603	—	—	—
Municipal/Public Bonds	4,230	75	1,505	2,083	567	—
Repurchase Agreements	25,403	25,403	—	—	—	—
Guaranteed Investment Contracts	293,658	215,172	5,542	35,016	37,928	—
Bond Mutual Funds	120,774	—	18,945	101,829	—	—
Securities Lending Cash Collateral Pool	24,063	24,063	—	—	—	—
Utah Public Treasurer's Investment Fund	717,442	717,442	—	—	—	—
	2,285,023	$ 1,619,453	$ 247,891	$ 183,341	$ 207,077	$ 27,261
Other Investments						
Equity Securities:						
Domestic	52,933					
International	699					
Equity Mutual Funds Securities:						
Domestic	323,015					
Mutual Fund – Real Estate	1,699					
Hedge Funds	46,403					
Venture Capital Funds	7,797					
Total	$ 2,717,569					

Interest Rate Risk — Investments

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

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The component units' policy for reducing exposure to investment credit risk is the same as described above for the primary government. The component units' debt investments as of June 30, 2006, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Component Units Rated Debt Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 569,202	$ 568,783	$ 55	$ —	$ —
Corporate Debt	$ 47,233	$ 2,074	$ 2,002	$ 22,488	$ 15,824
Money Market Mutual Funds	$ 185,271	$ 375	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ 1,500	$ —	$ —	$ —	$ —
Municipal/Public Bonds	$ 4,230	$ 4,230	$ —	$ —	$ —
Guaranteed Investment Contracts	$ 293,658	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 120,774	$ —	$ —	$ —	$ —
Securities Lending Cash Collateral Pool	$ 24,063	$ —	$ —	$ —	$ —
Utah Public Treasurer's Investment Fund	$ 717,442	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Agencies	$ 4,572	$ 4,572	$ —	$ —	$ —
Money Market Mutual Funds	$ 20,831	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings BB	B	Unrated
U.S. Agencies	$ —	$ —	$ 364
Corporate Debt	$ 1,625	$ 1,043	$ 2,177
Money Market Mutual Funds	$ —	$ —	$ 184,896
Negotiable Certificates of Deposit	$ —	$ —	$ 1,500
Municipal/Public Bonds	$ —	$ —	$ —
Guaranteed Investment Contracts	$ —	$ —	$ 293,658
Bond Mutual Funds	$ —	$ —	$ 120,774
Securities Lending Cash Collateral Pool	$ —	$ —	$ 24,063
Utah Public Treasurer's Investment Fund	$ —	$ —	$ 717,442
Repurchase Agreements – Underlying:			
U.S. Agencies	$ —	$ —	$ —
Money Market Mutual Funds	$ —	$ —	$ 20,831

Custodial Credit Risk — Investments

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

The various component units' investments at June 30, 2006, were held by the component unit or in the name of the component unit by the component unit's custodial bank or trustee, except the following which were uninsured, were not registered in the name of the component unit, and were held by (expressed in thousands):

Counterparty	
U.S. Treasuries	$ 259,695
Government National Mortgage Association	$ 18
U.S. Agencies	$ 243,923
Repurchase Agreements	$ 12,136
Counterparty's Trust Department or Agent	
U.S. Treasuries	$ 5,854
U.S. Agencies	$ 1,994
Corporate Debt	$ 9,587
Municipal/Public Bonds	$ 534
Repurchase Agreements	$ 12,130

Concentration of Credit Risk — Investments

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

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

The Utah Housing Corporation places no limit on the amount the Corporation may invest in any one issuer. More than five percent of the Corporation's investments are in Trinity Guaranteed Investment Contracts, the Federal National Mortgage Association, CDC Guaranteed Investment Contracts, AIG Guaranteed Investment Contracts, and Royal Bank of Canada Guaranteed Investment Contracts. These investments are 12.97 percent, 9.78 percent, 8.52 percent, 6.77 percent, and 6.35 percent, respectively, of the Corporation's total investments.

Southern Utah University had $5.209 million, 17.7 percent, of its investments in Federal Home Loan Notes.

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. 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 $2.379 billion and $23.688 million, respectively, and the collateral received for those securities on loan was $2.455 billion and $24.190 million (includes $127 thousand of non-cash collaterals), 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 (URS) (pension trust funds) invests in derivative financial investments as authorized by Board policy. The derivatives are reported at their fair values on the statement of net assets. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from the performance of some agreed upon benchmark. At December 31, 2005, URS had four types of derivative financial investments: futures, currency forwards, options, and swaps.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing URS's 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 December 31, 2005, URS investments had the following futures balances (expressed in millions):

	Value Covered By Contract
Long-cash and cash equivalent futures	$ 104,485
Long-equity futures	$ 736,324
Short-equity futures	$ (413,397)
Long-debt securities futures.......................	$ 767,163
Short-debt securities futures	$ (135,174)

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 December 31, 2005, URS investments included the following currency forwards balances (expressed in billions):

Currency forwards (*pending foreign exchange purchases)*	$ 1,482
Currency forwards (*pending foreign exchange sales)*	$ (1,478)

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, URS receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, URS pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At December 31, 2005, URS investments had the following options balances (expressed in thousands):

		Value Covered By Contract
Cash and cash equivalent purchased call options.........................	$	2,869
Cash and cash equivalent purchased put options	$	(13)
Fixed income written put options	$	(110)
Fixed income written call options...............	$	753

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At the end of the year, URS had two different types of swap arrangements: interest rate swaps and credit default swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counter party who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed URS to convert their long term variable interest rate credit facility loans into fixed interest rate loans. The credit default swaps protects the rental cash flows on one of URS real estate investments in case the major tenant defaults on its lease contract. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Net Assets. At December 31, 2005, URS investments had the following swap market value balances:

Utah Retirement Systems
Interest Rate Swaps
December 31, 2005
(Expressed in Thousands)

	Outstanding Notational Amount*	Interest Rate**	Maturity Date	Fair Value
Interest Rate Swaps				
Interest Rate Swaps	$ 660,369	3.4675–5.046%–LIBOR	2007–2020	$ 9,573
Total	$ 660,369			$ 9,573
Credit Facility Swaps				
Morgan Stanley Credit Default Swaps	$ 111,000		9/29/2008	$ (727)

* Base used to calculate interest
** London Interbank Offered Rate

Utah Housing Corporation

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

Objective — In order to protect against the potential of rising interest rates, the Corporation has entered into 60 separate pay-fixed, receive-variable interest rate swaps and one Interest Rate Cap Agreement as of June 30, 2006. The cost of these swaps is less than what the Corporation would have paid to issue fixed rate debt. The Corporation's swaps are all similar in nature and summary information is included in this report. More detailed information about each swap is included in the Corporation's separately issued financial statements.

Terms, Fair Values, and Credit Risk — The terms, including the fair values of the outstanding swaps as of June 30, 2006, are summarized below. The notional amounts of the swaps matched the principal amounts of the associated debt at the time of issuance. Except as discussed under rollover risk, the Corporation's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Utah Housing Corporation
Interest Rate Swap and Cap Agreements
June 30, 2006
(Expressed in Thousands)

Outstanding Notational Amount	Issue Dates	Fixed Rate Paid by the Corporation	Variable Rate Received from Counterparty	Fair Values	Termination Dates
Interest Rate Swap Agreements					
$ 80,020	2000–2006	4.640% to 7.760%	LIBOR* plus .15%	$ (2,752)	2008–2029
542,275	2000–2006	3.939% to 5.610%	BMA** plus .27%	(16,934)	2012–2028
$ 622,295				$ (19,686)	
Interest Rate Cap Agreements					
$ 1,875	2005	1.02%	Excess of BMA ** over 5.73%	$ (203)	2027

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

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

Credit Risk — The Corporation executes swap transactions with two counterparties, Lehman Brothers Financial Products, Inc. and Lehman Brothers Derivative Products, Inc. Both counterparties are rated AAA/Aaa, which mitigates any credit risk associated with the derivatives' fair value.

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 Tax Risk/Cross-over.

Tax Risk / Cross-over — 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 both of these events 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. In addition, various of the Corporation's BMA based Cross-over Swaps are also exposed to basis risk if the LIBOR rate is 3.5 percent or greater and in some cases 4 percent or greater. When the LIBOR rate is greater than 3.5 or 4 percent, the provider will pay the Corporation 68 percent of the LIBOR rate regardless of what the BMA rate is. As of June 30, 2006, no "Tax Event" or "Cross-over 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, 2006, the Corporation's swap termination dates ranged from 7 to 26 years prior to the maturity dates of the associated debt.

NOTE 4. INVESTMENT POOL

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

The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (*Utah Code* Title 51, Chapter 7*)*. The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the PTIF. The Act lists the investments that are authorized which are high-grade securities and, therefore, 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 along with the portfolio statistics for the fiscal year ended June 30, 2006, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2006
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 237,646
Investments	7,858,259
Interest Receivable	50,145
Total Assets	$ 8,146,050
Net Assets Consist of:	
External Participant Account Balances	$ 4,301,311
Internal Participant Account Balances:	
Primary Government	3,116,821
Component Units	717,817
Undistributed Reserves and Unrealized Gains/Losses	10,101
Net Assets	$ 8,146,050
Participant Account Balance Net Asset Valuation Factor	.99968

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2006
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 10,974,231
Investment Income:	
Investment Earnings	317,613
Fair Value Increases (Decreases)	(3,667)
Total Investment Income	313,946
Less Administrative Expenses	(197)
Net Investment Income	313,749
Total Additions	11,287,980
Deductions	
Pool Participant Withdrawals	9,744,453
Earnings Distributions	323,982
Total Deductions	10,068,435
Net Increase From Operations	1,219,545
Net Assets	
Beginning of Year	6,926,505
Net Assets – End of Year	$ 8,146,050

Public Treasurer's Investment Fund
Portfolio Statistics

June 30, 2006

	Range of Yields	Weighted Average Maturity
Money Market Mutual Fund	4.92%	52 days
Certificates of Deposit	5.00% – 6.25%	40.72 days
U.S. Agencies	3.56% – 5.63%	107.46 days
Corporate Bonds and Notes	3.81% – 6.24%	52.82 days
Commercial Paper	5.30% – 5.35%	3 days

June 30, 2006

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	5.00%	66.77 days

Deposits and Investments

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

Custodial Credit Risk — Deposits

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

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the PTIF at June 30, 2006, were $79.044 million. Of those, $78.344 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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

The PTIF investments at June 30, 2006, are presented below.

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

		Investment Maturities (in years)	
Investment Type	Fair Value	Less Than 1	1–5
Debt Securities			
U.S. Agencies	$ 2,411,782	$ 2,246,683	$ 165,099
Corporate Bonds and Notes	5,134,008	5,134,008	—
Negotiable Certificates of Deposit	272,809	272,809	—
Money Market Mutual Fund	40,000	40,000	—
Commercial Paper	195,745	195,745	—
	$ 8,054,344	$ 7,889,245	$ 165,099

The majority of the PTIF's U.S. agencies and corporate debt securities are variable-rate securities, most of which reset every three months to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date. In the table above, variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

U.S. agency debt securities of $1.597 billion of the PTIF reset periodically and have a maximum maturity out to three years. The securities "step up" to higher interest rates at levels determined at the time of purchase. These securities are callable at par and may be called on a quarterly basis, or will mature at par if held to maturity. In the event that current market interest rates were to exceed the predetermined rates, the fair value of the securities would be impacted.

Interest Rate Risk — Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The PTIF's policy for managing interest rate risk is to comply with the State's Money Management Act. See Note 3 for information on requirements of the Act related to interest rate risk.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The PTIF follows the Money Management Act as its policy for reducing exposure to investment credit risk. The PTIF's rated debt investments as of June 30, 2006, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

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

	Fair	Quality Ratings			
Rated Debt Investments	**Value**	**AAA**	**AA**	**A**	**BBB**
U.S. Agencies	$ 2,411,782	$ 2,220,747	$ —	$ 191,035	$ —
Corporate Bonds and Notes	$ 5,134,008	$ 563,948	$ 835,289	$ 3,356,244	$ 378,527
Negotiable Certificates of Deposit	$ 272,809	$ —	$ 30,046	$ 242,763	$ —
Money Market Mutual Fund	$ 40,000	$ —	$ —	$ —	$ —
Commercial Paper	$ 195,745	$ —	$ —	$ —	$ —

Continues Below

	Quality Ratings	
Rated Debt Investments	**A1 ***	**Not Rated**
U.S. Agencies	$ —	$ —
Corporate Bonds and Notes	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —
Money Market Mutual Fund	$ —	$ 40,000
Commercial Paper	$ 195,745	$ —

* A1 is Commercial Paper rating

Concentration of Credit Risk — Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The PTIF's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5 percent of the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies. The PTIF had debt securities investments at June 30, 2006, with more than 5 percent of the total investments in Federal Home Loan Bank and Federal Home Loan Mortgage Corporation. These investments represented 17.8 percent and 8.8 percent, respectively, of total investments.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2006, consisted of the following (in thousands):

	Accounts Receivable					
	Federal	**Customer**	**Other**	**Interest**	**Taxes**	**Notes/ Mortgages**
Governmental Activities:						
General Fund	$ 216,794	$ 215,272	$ 2,221	$ 30	$ 277,646	$ 22,282
Uniform School Fund	30,913	1,089	95	—	680,459	8,879
Transportation Fund	49,513	—	6,889	—	66,972	365
Transportation Investment Fund	3,476	—	—	—	808	—
Trust Lands	—	—	9,865	1,586	—	2,400
Nonmajor Funds	153	4,057	—	105	—	155
Internal Service Funds	—	6,027	—	—	—	—
Adjustments:						
Fiduciary Funds	—	—	694	—	—	—
Total Receivables	300,849	226,445	19,764	1,721	1,025,885	34,081
Less Allowance for Uncollectibles:						
General Fund	—	(56,311)	—	—	(15,553)	(1,210)
Uniform School Fund	—	—	—	—	(78,173)	—
Transportation Fund	—	—	(200)	—	(2,687)	—
Transportation Investment Fund	—	—	—	—	(51)	—
Internal Service Funds	—	—	—	—	—	—
Receivables, net	$ 300,849	$ 170,134	$ 19,564	$ 1,721	$ 929,421	$ 32,871
Current Receivables	$ 300,849	$ 147,783	$ 10,067	$ 1,721	$ 887,214	$ 19,956
Noncurrent Receivables	—	22,351	9,497	—	42,207	12,915
Total Receivables, net	$ 300,849	$ 170,134	$ 19,564	$ 1,721	$ 929,421	$ 32,871
Business-type Activities:						
Student Assistance Programs	$ 27,927	$ 738	$ —	$ 19,028	$ —	$ 1,755,885
Unemployment Compensation	216	96,531	—	—	—	—
Water Loan Programs	—	2,526	—	8,606	—	499,466
Nonmajor Funds	39	13,345	—	3,760	—	292,348
Total Receivables	28,182	113,140	—	31,394	—	2,547,699
Less Allowance for Uncollectibles:						
Student Assistance Programs	—	—	—	—	—	(3,009)
Unemployment Compensation	—	(8,118)	—	—	—	—
Water Loan Programs	—	—	—	—	—	—
Receivables, net	$ 28,182	$ 105,022	$ 0	$ 31,394	$ 0	$ 2,544,690

Accounts receivable balances are an aggregation of amounts due from the federal government, customers, and others. Receivables from customers include charges for services to local governments, fees and fines issued by the courts and corrections, employer contributions for unemployment benefits, and receivables as a result of overpayments to individuals receiving state assistance.

Receivables for fiduciary funds listed above represent amounts due from fiduciary funds that were reclassified as external receivables on the government-wide Statement of Net Assets.

Aggregated receivables for component units at June 30, 2006, were $1.395 billion for major component units and $76.772 million for nonmajor component units, net of an allowance for doubtful accounts of $48.928 million and $4.844 million, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2006, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds	Interest	Total
Governmental Activities:							
General Fund	$ 45,465	$ 190,631	$ 53,786	$ 70,325	$ 3,964	$ —	$ 364,171
Uniform School Fund	1,923	1,549	6,372	29,090	16,143	—	55,077
Transportation Fund	5,837	—	72,385	28,107	3,492	—	109,821
Transportation Investment Fund	—	—	2	—	—	—	2
Nonmajor Funds	32	4	35,140	13	—	34,122	69,311
Internal Service Funds	1,343	9	9,014	224	—	5	10,595
Adjustments:							
Fiduciary Funds	—	—	—	2,826	—	—	2,826
Other	—	—	—	—	—	1,556	1,556
Total Governmental Activities	$ 54,600	$ 192,193	$ 176,699	$ 130,585	$ 23,599	$ 35,683	$ 613,359
Business-type Activities:							
Student Assistance Programs	$ 1,425	$ —	$ 10,953	$ 1,569	$ —	$ 8,321	$ 22,268
Unemployment Compensation	—	2,008	—	4	—	—	2,012
Water Loan Programs	—	—	692	—	—	—	692
Nonmajor Funds	708	—	10,091	—	—	221	11,020
Adjustments:							
Fiduciary Funds	—	—	—	51	—	—	51
Total Business-type Activities	$ 2,133	$ 2,008	$ 21,736	$ 1,624	$ 0	$ 8,542	$ 36,043

Accounts payable and accrued liability balances are an aggregation of amounts due to: (***1***) state employees for salaries/benefits; (***2***) service providers for childcare, job services and health services; (***3***) vendors and miscellaneous suppliers; (***4***) local and federal governments for services; (***5***) individuals and others as a result of tax overpayments; and (***6***) interest due on bonds and other obligations.

Adjustments for fiduciary funds listed above represent amounts due to fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Assets. Other adjustments are due to differences in the presentation and the basis of accounting between the fund financial statements and the government-wide Statement of Net Assets.

NOTE 7. INTERFUND BALANCES AND LOANS

Interfund Balances

Interfund balances at June 30, 2006, consisted of the following (in thousands):

Due to General Fund from:	
Uniform School Fund	$ 121
Transportation Fund	843
Trust Lands Fund	27
Nonmajor Governmental Funds	2,288
Unemployment Compensation Fund	8,139
Nonmajor Enterprise Funds	11,158
Internal Service Funds	1,261
Fiduciary Funds	284
Total due to General Fund from other funds	$ 24,121
Due to Uniform School Fund from:	
General Fund	420
Trust Lands Fund	25
Unemployment Compensation Fund	169
Nonmajor Enterprise Funds	3,371
Internal Service Funds	37
Total due to Uniform School Fund from other funds	$ 4,022
Due to Transportation Fund from:	
General Fund	199
Nonmajor Governmental Funds	1
Nonmajor Enterprise Funds	4
Internal Service Funds	34
Total due to Transportation Fund from other funds	$ 238
Due to Trust Lands Fund from Nonmajor Enterprise Funds	$ 6,392
Due to Nonmajor Governmental Funds from:	
General Fund	1,637
Nonmajor Governmental Funds	24
Nonmajor Enterprise Funds	9
Internal Service Funds	139
Fiduciary Funds	24
Total due to Nonmajor Governmental Funds from other funds	$ 1,833
Due to Water Loan Programs from:	
General Fund	117
Trust Lands Fund	43
Nonmajor Enterprise Funds	18
Total due to Water Loan Programs from other funds	$ 178
Due to Nonmajor Enterprise Funds from:	
General Fund	$ 502
Transportation Fund	92
Nonmajor Governmental Funds	14,885
Internal Service Funds	5
Total due to Nonmajor Enterprise Funds from other funds	$ 15,484
Due to Internal Service Funds from:	
General Fund	7,988
Uniform School Fund	249
Transportation Fund	3,003
Nonmajor Governmental Funds	591
Nonmajor Enterprise Funds	130
Internal Service Funds	127
Fiduciary Funds	386
Total due to Internal Service Funds from other funds	$ 12,474
Due to Fiduciary Funds from:	
General Fund	2,731
Uniform School Fund	1
Transportation Fund	12
Nonmajor Enterprise Funds	51
Internal Service Funds	82
Total due to Fiduciary Funds from other funds	$ 2,877
Total Due to/Due froms	$ 67,619

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, 2006, consisted of the following (in thousands):

Payable to General Fund from Internal Service Funds	$ 27,507
Payable to General Fund from Nonmajor Enterprise Funds	604
Payable to Nonmajor Enterprise Funds from Internal Service Funds	20
Total Interfund Loans Receivable/Payable	$ 28,131

The interfund loans receivable/payable balances consist of revolving loans with Internal Service Funds. The balance payable to the General Fund from Internal Service Funds of $27.507 million includes $10.74 million that is not expected to be repaid within one year.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Related Assets	$ 743,977	$ 52,314	$ (299)	$ 795,992
Infrastructure	7,545,349	184,356	(27,109)	7,702,596
Construction-In-Progress	594,099	481,895	(272,087)	803,907
Total Capital Assets not being Depreciated	8,883,425	718,565	(299,495)	9,302,495
Capital Assets being Depreciated:				
Buildings and Improvements	1,177,992	5,730	(2,959)	1,180,763
Infrastructure	33,211	275	(188)	33,298
Machinery and Equipment	446,975	36,513	(19,229)	464,259
Total Capital Assets being Depreciated	1,658,178	42,518	(22,376)	1,678,320
Less Accumulated Depreciation for:				
Buildings and Improvements	(368,002)	(32,656)	1,348	(399,310)
Infrastructure	(6,006)	(1,402)	6	(7,402)
Machinery and Equipment	(306,954)	(34,688)	14,806	(326,836)
Total Accumulated Depreciation	(680,962)	(68,746)	16,160	(733,548)
Total Capital Assets being Depreciated, Net	977,216	(26,228)	(6,216)	944,772
Capital Assets, Net	$ 9,860,641	$ 692,337	$ (305,711)	$10,247,267
Business-type Activities:				
Capital Assets not being Depreciated:				
Land and Related Assets	$ 22,314	$ 7,114	$ (2,234)	$ 27,194
Construction-In-Progress	479	1,009	(599)	889
Total Capital Assets not being Depreciated	22,793	8,123	(2,833)	28,083
Capital Assets being Depreciated:				
Buildings and Improvements	43,824	575	—	44,399
Infrastructure	204	—	—	204
Machinery and Equipment	13,891	1,035	(75)	14,851
Total Capital Assets being Depreciated	57,919	1,610	(75)	59,454
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,055)	(1,169)	—	(9,224)
Infrastructure	(49)	(6)	—	(55)
Machinery and Equipment	(10,454)	(873)	43	(11,284)
Total Accumulated Depreciation	(18,558)	(2,048)	43	(20,563)
Total Capital Assets being Depreciated, Net	39,361	(438)	(32)	38,891
Capital Assets, Net	$ 62,154	$ 7,685	$ (2,865)	$ 66,974

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 2006, $91.471 million of buildings were completed for colleges and universities. On the government-wide statement of activities, the building "transfers" are reported as higher education expenses of governmental activities and as program revenues of component units.

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

General Government	$ 9,780
Human Services and Youth Corrections	4,945
Corrections, Adult	5,248
Public Safety	4,194
Courts	5,244
Health and Environmental Quality	2,542
Employment and Family Services	1,989
Natural Resources	6,953
Community and Culture	477
Business, Labor, and Agriculture	1,131
Public Education	528
Transportation	8,586
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of services provided	17,129
Total	$ 68,746

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands):

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University	Nonmajor Component Units	Total
Capital Assets not being Depreciated:						
Land and Other Assets	$ 1,472	$ —	$ 56,696	$ 18,383	$ 60,460	$ 137,011
Construction-In-Progress	—	—	138,977	36,090	11,255	186,322
Total Capital Assets not being Depreciated	1,472	—	195,673	54,473	71,715	323,333
Capital Assets being Depreciated:						
Building and Improvements	5,064	—	1,136,454	507,247	999,635	2,648,400
Infrastructure	—	—	138,236	—	24,019	162,255
Machinery and Equipment	1,365	4,426	652,893	164,459	161,980	985,123
Total Capital Assets being Depreciated	6,429	4,426	1,927,583	671,706	1,185,634	3,795,778
Less Total Accumulated Depreciation	(1,271)	(3,539)	(985,465)	(279,726)	(458,081)	(1,728,082)
Total Capital Assets being Depreciated, Net	5,158	887	942,118	391,980	727,553	2,067,696
Discretely Presented Component Units – Capital Assets, Net	$ 6,630	$ 887	$ 1,137,791	$ 446,453	$ 799,268	$ 2,391,029

The State had long-term construction project commitments totaling $226.16 million at June 30, 2006. 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
02156050	State Capitol Restoration	$ 80,529
02032750	U of U – Marriott Library Renovation	37,720
04141680	SLCC – Jordan Campus Health Sciences Building	13,838
03215810	WSU – Student Union Renovation	11,139
05225750	U of U – University Hospital Expansion	10,483
01284750	U of U – John E. and Marva M. Warnock Building	8,222
05025110	CUCF – New 288 Bed Facility	7,712
03200770	USU – New West Student Housing	6,914
02243750	U of U – New Museum of Natural History	5,855
03234730	SUU – Old Main HVAC	3,527
00144420	DHS – State Hospital Water Pipeline	2,935
02053520	DWR – Whiterocks Fish Hatchery	2,222
04160150	Courts – Tooele Facility	2,085
02278810	WSU – Swenson Gymnasium Renovation	1,834
05055410	DHS – USDC New Housing Unit	1,767
05027810	WSU – Humanities Building	1,547
01009750	U of U – Moran Eye Center Ph II	1,475
05049730	SUU – Teacher Education Center	1,456
06041110	CUCF – New 192 Bed Expansion	1,196
06227790	UVSC – Parking Lot V Ph II	1,026
—	All Others	22,678
	Total Commitments	$ 226,160

NOTE 9. LEASE COMMITMENTS

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

Leases, that in substance are purchases, are reported as capital lease obligations. In the government-wide financial statements and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at the inception of the lease at either the lower of fair value or the present value of the future minimum lease payments. The principal portion of lease payments reduces the liability, and the interest portion is expensed.

On the governmental fund financial statements, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function.

The primary government's capital lease payments were $1.287 million in principal and $1.231 million in interest for fiscal year 2006. As of June 30, 2006, the historical cost of the primary government's assets acquired through capital leases was $26.257 million of which $24.719 million was buildings and $1.538 million was equipment and other depreciable assets. As of June 30, 2006, the accumulated depreciation of the primary government's assets acquired through capital leases was $8.641 million of which $8.112 million was buildings and $529 thousand was equipment and other depreciable assets.

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

Operating lease expenditures for fiscal year 2006 were $26.206 million for the primary government and $30.931 million for component units. For fiscal year 2005, the operating lease expenditures were $25.321 million for the primary government and $18.635 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2006, 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
2007	$ 20,949	$ 32,095	$ 53,044	$ 2,548	$ 15,281	$ 17,829
2008	17,532	30,406	47,938	2,612	13,844	16,456
2009	13,642	28,396	42,038	2,186	26,174	28,360
2010	8,510	24,158	32,668	2,246	8,503	10,749
2011	5,452	22,097	27,549	1,888	23,886	25,774
2012–2016	9,982	91,348	101,330	7,507	15,968	23,475
2017–2021	5,119	53,760	58,879	6,682	7,522	14,204
2022–2026	1,499	39,203	40,702	2,867	3,706	6,573
2027–2031	—	899	899	—	—	—
Total Future Minimum Lease Payments	$ 82,685	$ 322,362	$ 405,047	28,536	114,884	143,420
Less Amounts Representing Interest				(8,892)	(21,721)	(30,613)
Present Value of Future Minimum Lease Payments				$ 19,644	$ 93,163	$ 112,807

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, 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	$ 1,514,510	$ —	$ (137,120)	$ 1,377,390	$ 140,220
State Building Ownership Authority Lease Revenue Bonds	308,898	—	(15,672)	293,226	17,799
Net Unamortized Premiums	101,395	—	(18,048)	83,347	—
Deferred Amount on Refunding	(25,361)	—	3,815	(21,546)	—
Capital Leases (Note 9)	20,931	—	(1,287)	19,644	1,416
Contracts Payable	8,527	120	(711)	7,936	2,242
Compensated Absences (Notes 1 and 17)	140,029	68,960	(60,227)	148,762	68,075
Claims	44,673	12,758	(10,706)	46,725	11,443
Total Governmental Long-term Liabilities	$ 2,113,602	$ 81,838	$ (239,956)	$ 1,955,484	$ 241,195
Business-type Activities					
Revenue Bonds	$ 1,544,830	$ 633,675	$ (40,420)	$ 2,138,085	$ 430
State Building Ownership Authority Lease Revenue Bonds	30,672	8,355	(1,213)	37,814	1,261
Net Unamortized Premiums	1,061	34	(107)	988	—
Deferred Amount on Refunding	(464)	—	49	(415)	—
Claims and Uninsured Liabilities	6,025	102,010	(103,075)	4,960	3,680
Arbitrage Liability (Note 1)	66,411	2,750	(1,316)	67,845	275
Total Business-type Long-term Liabilities	$ 1,648,535	$ 746,824	$ (146,082)	$ 2,249,277	$ 5,646
Component Units					
Revenue Bonds	$ 1,744,744	$ 420,609	$ (297,807)	$ 1,867,546	$ 133,050
Net Unamortized Premiums/(Discounts)	(764)	655	(1)	(110)	(56)
Capital Leases/Contracts Payable (Notes 9 and 10)	96,722	16,395	(14,658)	98,459	12,150
Notes Payable	43,856	101,455	(2,617)	142,694	7,107
Claims	110,741	536,244	(521,192)	125,793	73,437
Leave/Termination Benefits (Note 1)	75,754	44,930	(41,007)	79,677	20,192
Total Component Unit Long-term Liabilities	$ 2,071,053	$ 1,120,288	$ (877,282)	$ 2,314,059	$ 245,880

Compensated absences of governmental activities are liquidated in the General Fund, Uniform School Fund, or Transportation Fund according to the applicable employing state agency. Claims liabilities of governmental activities are liquidated in the Risk Management Internal Service Fund.

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, 2006, the State had $130.942 million and $32.398 million of authorized but unissued general obligation building and highway bond authorizations remaining, respectively.

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, 2006
1997 A–E Highway/Capital Facility Issue	07/01/97	2001–2007	4.80% to 5.50%	$ 200,000	$ 20,425
1997 F Highway Issue	08/01/97	2001–2007	5.00% to 5.50%	$ 205,000	33,850
1998 A Highway/Capital Facility Issue	07/07/98	2001–2008	5.00%	$ 265,000	53,250
2001 B Highway/Capital Facility Issue	07/02/01	2004–2009	4.50%	$ 348,000	141,675
2002 A Highway/Capital Facility Issue	06/27/02	2003–2011	3.00% to 5.25%	$ 281,200	122,250
2002 B Refunding Issue	07/31/02	2004–2012	3.00% to 5.38%	$ 253,100	250,860
2003 A Highway/Capital Facility Issue	06/26/03	2005–2013	2.00% to 5.00%	$ 407,405	314,025
2004 A Refunding Issue	03/02/04	2010–2016	4.00% to 5.00%	$ 314,775	314,775
2004 B Highway/Capital Facility Issue	07/01/04	2005–2019	4.75% to 5.00%	$ 140,635	126,280
Total General Obligation Bonds Outstanding					1,377,390
Plus Unamortized Bond Premium					79,300
Less Deferred Amount on Refunding					(19,845)
Total General Obligation Bonds Payable					$ 1,436,845

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

	Principal						
Fiscal Year	1997 A–E Highway/ Capital Facility	1997 F Highway Bonds	1998 A Highway/ Capital Facility	2001 B Highway/ Capital Facility	2002 A Highway/ Capital Facility	2002 B Refunding Bonds	2003 A Highway/ Capital Facility
2007	$ 9,925	$ 16,475	$ 16,775	$ 33,250	$ 48,075	$ 160	$ 7,775
2008	10,500	17,375	17,750	34,650	50,575	120	12,825
2009	—	—	18,725	36,125	5,525	29,455	59,300
2010	—	—	—	37,650	5,750	50,835	61,125
2011	—	—	—	—	6,000	53,670	50,025
2012–2016	—	—	—	—	6,325	116,620	122,975
2017–2021	—	—	—	—	—	—	—
Total	$ 20,425	$ 33,850	$ 53,250	$ 141,675	$122,250	$ 250,860	$ 314,025

Continues Below

	Principal				
Fiscal Year	2004 A Refunding Bonds	2004 B Highway/ Capital Facility	Total Principal Required	Interest Required	Total Amount Required
2007	$ —	$ 7,785	$ 140,220	$ 60,597	$ 200,817
2008	—	6,865	150,660	53,100	203,760
2009	—	9,970	159,100	45,845	204,945
2010	—	11,180	166,540	37,897	204,437
2011	39,310	25,755	174,760	29,350	204,110
2012–2016	218,060	46,000	509,980	60,614	570,594
2017–2021	57,405	18,725	76,130	1,461	77,591
Total	$ 314,775	$ 126,280	$ 1,377,390	$ 288,864	$ 1,666,254

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 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 and other organizations. The bonds are secured by the facilities and repayment is made from lease income. The outstanding bonds payable at June 30, 2006, are reported as a long-term liability of the governmental activities, except for $37.302 million and $1.04 million which are reported in the Alcoholic Beverage Control Fund, and the Utah Correctional Industries Fund (nonmajor enterprise funds), respectively. These portions are reported as liabilities of the business-type activities on the government-wide statement of net assets.

During fiscal year 2006, the average interest rate for the SBOA Series 2001 C variable rate demand lease revenue bonds was 3 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 3.98 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 Funds and by the revenues and receipts derived from such assets. The Board of Regents has also issued a revenue bond for an office facility secured by funds within the Board of Regents budget that would otherwise be expended for rent.

The Student Assistance Programs have $391.635 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent. The Programs also have adjustable rate bonds that are set by an auction procedure every 28 days in the amount of $847.1 million and $859.725 million of bonds that are auctioned every 35 days.

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, 2006
Utah Housing Corporation Issues	1985–2006	2006–2050	Variable and 1.50% to 10.30%	$ 2,616,328	$ 1,478,105
Colleges and Universities Revenue Bonds	1987–2006	2006–2035	Variable and 1.90% to 6.75%	$ 605,635	389,441
Total Revenue Bonds Outstanding					1,867,546
Colleges and Universities Less Unamortized Bond Discount					(110)
Total Revenue Bonds Payable					$ 1,867,436

Revenue Bonds Payable – Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2006
Governmental Activities					
SBOA Lease Revenue Bonds:					
Series 1992 A	07/15/92	1993–2011	5.30% to 5.75%	$ 26,200	$ 11,400
Series 1992 B	07/15/92	1994–2011	4.00% to 6.00%	$ 1,380	620
Series 1993 A	12/01/93	1995–2013	4.50% to 5.25%	$ 6,230	2,975
Series 1995 A	07/01/95	1996–2007	5.00% to 5.75%	$ 92,260	4,115
Series 1996 A	07/01/96	1997–2007	5.50% to 6.00%	$ 42,895	1,930
Series 1996 B	11/01/96	1999–2007	5.00%	$ 16,875	1,150
Series 1998 A	07/01/98	1999–2008	3.75% to 5.00%	$ 24,885	1,445
Series 1998 C	08/15/98	2000–2019	3.80% to 5.50%	$ 101,557	100,190
Series 1999 A	08/01/99	2001–2009	5.25%	$ 6,960	830
Series 2001 A	11/21/01	2005–2021	4.00% to 5.00%	$ 69,850	64,675
Series 2001 B	11/21/01	2002–2024	3.00% to 5.75%	$ 14,240	13,245
Series 2001 C	11/21/01	2005–2022	variable	$ 30,300	30,300
Series 2003	12/30/03	2005–2025	2.00% to 5.00%	$ 20,820	19,720
Series 2004 A	10/26/04	2005–2027	3.00% to 5.25%	$ 32,458	32,016
Series 2004 B	10/26/04	2005–2013	3.00% to 5.00%	$ 8,920	8,615
Total Lease Revenue Bonds Outstanding					293,226
Plus Unamortized Bond Premium					4,047
Less Deferred Amount on Refunding					(1,701)
Total Lease Revenue Bonds Payable					$ 295,572
Business-type Activities					
Student Assistance Programs:					
Series 1988 and 1993 Board of Regents Student Loan Indentures	1988–2006	1998–2046	Variable and 4.45% to 6.00%	$2,181,050	$ 2,127,725
Office Facility Bond Fund	2002, 2004	2003–2024	3.00% to 5.13%	$ 11,780	10,360
Total Revenue Bonds Outstanding					2,138,085
Plus Unamortized Bond Premium					45
Total Revenue Bonds Payable					$ 2,138,130
SBOA Lease Revenue Bonds:					
Series 1995 A	07/01/95	1996–2007	5.00% to 5.70%	$ 740	$ 40
Series 1996 A	07/01/96	1997–2007	5.50% to 6.00%	$ 1,830	80
Series 1997 A	12/01/97	1999–2008	4.60% to 4.70%	$ 4,150	385
Series 1998 A	07/01/98	1999–2008	4.40% to 5.00%	$ 825	65
Series 1998 C	08/15/98	2000–2019	3.80% to 5.50%	$ 3,543	3,495
Series 1999 A	08/01/99	2001–2009	5.25%	$ 2,495	320
Series 2001 B	11/21/01	2004–2023	3.25% to 5.25%	$ 11,540	10,350
Series 2003	12/30/03	2005–2025	2.00% to 5.00%	$ 1,905	1,765
Series 2004 A	10/26/04	2005–2025	3.00% to 5.25%	$ 13,347	12,959
Series 2006 A	01/10/06	2006–2027	3.50% to 5.00%	$ 8,355	8,355
Total Lease Revenue Bonds Outstanding					37,814
Plus Unamortized Bond Premium					943
Less Deferred Amount on Refunding					(415)
Total Lease Revenue Bonds Payable					$ 38,342
Total Lease Revenue Revenue Bonds Payable					$ 2,472,044

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

Principal

Fiscal Year	Utah State Student Assistance Programs	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority	1995 A Utah State Building Ownership Authority	1996 A Utah State Building Ownership Authority	1996 B Utah State Building Ownership Authority	1997 A Utah State Building Ownership Authority
2007	$ 430	$ 1,640	$ 90	$ 360	$ 4,155	$ 2,010	$ 1,150	$ 190
2008	72,145	1,735	95	380	—	—	—	195
2009	5,355	1,835	100	400	—	—	—	—
2010	76,610	1,945	105	425	—	—	—	—
2011	510	2,060	110	445	—	—	—	—
2012–2016	27,925	2,185	120	965	—	—	—	—
2017–2021	3,705	—	—	—	—	—	—	—
2022–2026	136,395	—	—	—	—	—	—	—
2027–2031	80,000	—	—	—	—	—	—	—
2032–2036	396,905	—	—	—	—	—	—	—
2037–2041	743,105	—	—	—	—	—	—	—
2042–2046	595,000	—	—	—	—	—	—	—
Total	$2,138,085	$ 11,400	$ 620	$ 2,975	$ 4,155	$ 2,010	$ 1,150	$ 385

Continues Below

Principal

Fiscal Year	1998 A Utah State Building Ownership Authority	1998 C Utah State Building Ownership Authority	1999 A Utah State Building Ownership Authority	2001 A Utah State Building Ownership Authority	2001 B Utah State Building Ownership Authority	2001 C Utah State Building Ownership Authority	2003 Utah State Building Ownership Authority	2004 A Utah State Building Ownership Authority
2007	$ 735	$ 1,170	$ 365	$ 3,125	$ 935	$ 1,000	$ 1,180	$ 865
2008	775	7,715	380	3,250	965	1,400	1,210	895
2009	—	8,130	405	3,375	1,005	1,500	1,240	1,930
2010	—	8,575	—	3,500	1,055	1,600	1,275	2,405
2011	—	9,065	—	3,650	1,090	1,600	1,325	2,550
2012–2016	—	47,985	—	20,975	6,150	9,500	5,425	14,735
2017–2021	—	21,045	—	26,800	7,740	11,300	5,115	12,540
2022–2026	—	—	—	—	4,655	2,400	4,715	8,345
2027–2031	—	—	—	—	—	—	—	710
2032–2036	—	—	—	—	—	—	—	—
2037–2041	—	—	—	—	—	—	—	—
2042–2046	—	—	—	—	—	—	—	—
Total	$ 1,510	$ 103,685	$ 1,150	$ 64,675	$ 23,595	$ 30,300	$ 21,485	$ 44,975

Continues Below

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

Fiscal Year	Principal: 2004 B Utah State Building Ownership Authority	Principal: 2006 A Utah State Building Ownership Authority	Total Principal Required	Interest Required	Total Amount Required
2007	$ 90	$ —	$ 19,490	$ 114,625	$ 134,115
2008	1,295	280	92,715	113,043	205,758
2009	1,340	290	26,905	109,855	136,760
2010	1,380	300	99,175	107,873	207,048
2011	1,455	315	24,175	104,481	128,656
2012–2016	3,055	1,755	140,775	502,397	643,172
2017–2021	—	2,140	90,385	472,387	562,772
2022–2026	—	2,670	159,180	451,069	610,249
2027–2031	—	605	81,315	412,623	493,938
2032–2036	—	—	396,905	363,034	759,939
2037–2041	—	—	743,105	265,668	1,008,773
2042–2046	—	—	595,000	140,587	735,587
Total	$ 8,615	$ 8,355	$ 2,469,125	$ 3,157,642	$ 5,626,767

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

Fiscal Year	Principal: Utah Housing Corporation	Principal: University of Utah	Principal: Utah State University	Principal: Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2007	$ 115,668	$ 9,513	$ 3,025	$ 4,844	$ 133,050	$ 82,335	$ 215,385
2008	39,769	9,642	3,178	5,087	57,676	81,721	139,397
2009	42,487	11,026	3,319	5,449	62,281	79,117	141,398
2010	43,004	11,551	3,462	5,710	63,727	76,378	140,105
2011	42,937	12,529	3,629	5,233	64,328	73,508	137,836
2012–2016	181,075	54,746	20,224	23,827	279,872	325,580	605,452
2017–2021	158,125	48,612	14,668	17,894	239,299	263,424	502,723
2022–2026	214,520	29,707	12,800	11,170	268,197	201,452	469,649
2027–2031	279,388	23,541	11,625	10,330	324,884	128,931	453,815
2032–2036	260,814	—	11,550	1,550	273,914	52,390	326,304
2037–2041	60,029	—	—	—	60,029	16,735	76,764
2042–2046	30,179	—	—	—	30,179	6,814	36,993
2047–2050	10,110	—	—	—	10,110	1,389	11,499
Total	$ 1,478,105	$ 210,867	$ 87,480	$ 91,094	$ 1,867,546	$ 1,389,774	$ 3,257,320

D. **Conduit Debt Obligations**

Of the Utah Housing Corporation (component unit) bonds outstanding, $304.186 million were issued as multi-family purchase bonds. Of those bonds, $298.286 million are conduit debt obligations issued on behalf of third parties. The Corporation is not obligated in any manner for repayment of the conduit debt. However, in accordance with the Corporation's accounting policies, the conduit debt is reported in the Corporation's financial statements.

In 1985, the State Board of Regents authorized the University of Utah (component unit) to issue Variable Rate Demand Industrial Development Bonds for the Salt Lake City Marriott University Park Hotel separate from the University. The bonds are payable solely from revenues of the hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. The outstanding balance of the bonds at June 30, 2006, is $6.425 million.

E. **Demand Bonds**

- The Utah State Building Ownership Authority (SBOA) 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-Thüringen 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 18.5 basis points paid on a quarterly basis. The letter of credit expires on December 31, 2015, and as of June 30, 2006, the SBOA has not had to draw any funds for bondholder tenders or a failed remarketing.

  The letter of credit also has a take out agreement for the 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 take out agreement 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 $391.635 million of demand bonds outstanding at June 30, 2006, 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, 2011, in the amount of $37.462 million supports the Series 1993 A bonds of $35 million. Standby bond purchase agreements of $25.336 million expiring November 20, 2013 to support the Series 1988 C bonds of $25 million, $85.294 million expiring November 16, 2025, support the Series 1996 Q and 1997 R bonds of $101.055 million and $158.753 million expiring February 11, 2024 to support the 2005 Series W and X bonds of $151.08 million. As of June 30, 2006, the Board had not drawn any funds under the standby bond purchase agreements or the letter of credit.

- The Utah Housing Corporation (component unit) had $695.2 million of bonds outstanding at June 30, 2006, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on delivery to the remarketing agent.

  In the event the variable rate bonds cannot be remarketed, the Corporation has entered into various irrevocable Standby Bond Purchase Agreements (Liquidity Facility) with five different banks totaling $900 million. These Agreements provide that these institutions will provide funds to purchase the variable rate bonds that have been tendered and not remarketed. These liquidity providers receive a fee ranging from 12.5 to 17.5 basis points of the outstanding amount of the variable rate bonds paid on a quarterly basis. The Corporation has not drawn on any of the facilities to date.

- The University of Utah (component unit) Series 1997 A bonds in the amount of $13 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 4.01 percent, which is the rate in effect as of June 30, 2006.

  In the event the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable standby bond purchase agreement to pay the purchase price of the bonds delivered to it. The standby bond purchase agreement is with J.P. Morgan Chase Bank and is valid through July 30, 2010. As of June 30, 2006, the University had not drawn any funds under the standby bond purchase agreement.

F. **Defeased Bonds and Bond Refunding**

In prior years, the State defeased certain general obligation and revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets. At June 30, 2006, the total amount outstanding of defeased general obligation bonds was $571.06 million. At June 30, 2006, the total amount outstanding of defeased revenue bonds was $55.87 million.

In prior years, component units defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the component unit column on the Statement of Net Assets. At June 30, 2006, $145.509 million of college and university bonds outstanding are considered defeased.

G. Contracts Payable

Component unit capital leases/contracts payable include $5.294 million in life annuity contracts.

H. 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 25 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	**Utah Housing Corporation**	**University of Utah**	**Utah State University**	**Nonmajor Component Units**	**Total Principal Required**	**Interest Required**	**Total Amount Required**
2007	$ 22	$ 578	$ 1,355	$ 5,154	$ 7,109	$ 2,266	$ 9,375
2008	24	615	1,431	474	2,544	1,942	4,486
2009	27	652	1,465	545	2,689	1,799	4,488
2010	30	699	1,460	881	3,070	1,646	4,716
2011	33	749	1,422	289	2,493	19,027	21,520
2012–2016	171	4,641	5,317	860	10,989	93,260	104,249
2017–2021	—	4,929	4,282	720	9,931	89,961	99,892
2022–2026	—	35,758	3,095	522	39,375	53,821	93,196
2027–2031	—	64,323	—	171	64,494	22,008	86,502
Total	$ 307	$112,944	$ 19,827	$ 9,616	$142,694	$285,730	$428,424

I. **Debt Service Requirements for Derivatives**

Swap Payments and Associated Debt — As explained in Note 3.D., Utah Housing Corporation (major component unit) had entered into 60 separate pay-fixed, receive-variable interest rate swaps and an interest rate cap agreement as of June 30, 2006. Using rates as of June 30, 2006, 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 91 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
2007	$ 14,865	$ 26,064	$ 1,896	$ 42,825
2008	3,770	25,350	2,919	32,039
2009	3,615	25,166	2,904	31,685
2010	3,580	24,990	2,890	31,460
2011	3,555	24,816	2,871	31,242
2012–2016	18,770	121,931	14,018	154,719
2017–2021	58,325	114,959	12,537	185,821
2022–2026	103,535	98,746	9,865	212,146
2027–2031	199,095	69,726	4,914	273,735
2032–2036	194,945	23,894	(523)	218,316
2037–2041	14,740	677	(165)	15,252
Total	$ 618,795	$ 556,319	$ 54,126	$ 1,229,240

NOTE 11. GOVERNMENTAL FUND BALANCES AND NET ASSETS RESTRICTED BY ENABLING LEGISLATION

A. Governmental Fund Balances – Reserved and Designated

The State's reserved fund balances represent: (***1***) **Nonlapsing Appropriations** which include continuing appropriations or nonlapsing funds, encumbrances for construction contracts in the capital projects funds, and limited encumbrances in the general and special revenue funds; or (***2***) **Restricted Purposes** which include fund balances that are legally restricted for other purposes, assets restricted by bond agreements or other external restrictions, and those portions of fund balance that are not available for appropriation or expenditure, such as loans to internal service funds. A summary of the nature and purpose of these reserves by fund type at June 30, 2006, follows:

Reserved Fund Balances
(Expressed in Thousands)

	Nonlapsing Appropriations	Restricted Purposes	Total Reserved
General Fund:			
Legislature	$ 3,571	$ —	$ 3,571
Governor	13,611	10,162	23,773
Elected Officials	1,214	1	1,215
Administrative Services	4,928	951	5,879
Tax Commission	10,577	14,437	25,014
Human Services	7,653	5,100	12,753
Corrections	6,235	1	6,236
Public Safety	25,357	8,146	33,503
Courts	1,259	6,391	7,650
Health	9,241	3,512	12,753
Environmental Quality	2,442	8,695	11,137
Higher Education	292	1	293
Employment and Family Services	2,966	15,636	19,549
Natural Resources	14,787	17,924	32,711
Community and Culture	2,491	2,482	4,973
Business, Labor, and Agriculture	10,965	9,789	20,754
Industrial Assistance Account	—	31,304	31,304
Loans to Internal Service Funds	—	10,740	10,740
Tobacco Settlement Funds	—	3,190	3,190
Oil Overcharge Funds	—	6,694	6,694
Mineral Bonus Account	—	20,040	20,040
Other Purposes	1,315	6,397	7,712
Total	$ 118,904	$ 181,593	$ 301,444
Uniform School Fund:			
Minimum School Program	$ 27,264	$ —	$ 27,264
State Office of Education	12,143	—	12,143
School Building Program	—	8,558	8,558
School Land Interest	—	18,509	18,509
Total	$ 39,407	$ 27,067	$ 66,474
Transportation Fund:			
Transportation	$ 3,083	$ —	$ 3,083
Public Safety	—	8,685	8,685
Corridor Preservation	—	2,157	2,157
Aeronautical Programs	—	7,435	7,435
Salt Lake County Road Construction	—	23,601	23,601
Total	$ 3,083	$ 41,878	$ 44,961
Transportation Investment Fund:			
Centennial Highway Program	$ —	$ 143,490	$ 143,490
Trust Lands Fund:			
Funds Held as Permanent Investments	$ —	$ 751,024	$ 751,024
Non-major Governmental Funds:			
Capital Projects	$ 226,160	$ 521	$ 226,681
Debt Service	—	6,390	6,390
Tobacco Settlement Funds	—	24,671	24,671
Environmental Reclamation	—	16,501	16,501
Other Purposes	—	6,391	6,391
Total	$ 226,160	$ 54,474	$ 280,634

Designated Fund Balances
(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Designated for:						
Budget Reserve (Rainy Day) Account	$ 131,560	$ —	$ —	$ —	$ —	$ 131,560
Education Budget Reserve Account	—	123,366	—	—	—	123,366
Postemployment and Other Liabilities	195,053	224,665	48,107	672	—	468,497
Fiscal Year 2007 Appropriations:						
Line Item Appropriations	155,489	304,582	—	—	—	460,071
Industrial Assistance Account	1,408	—	—	—	—	1,408
Capital Projects	—	—	—	—	100	100
Debt Service	—	—	—	—	14,332	14,332
Total	$ 483,510	$ 652,613	$ 48,107	$ 672	$ 14,432	$1,199,334

B. **Net Assets Restricted by Enabling Legislation**

The State's net assets restricted by enabling legislation represent resources which a party external to a government—such as citizens, public interest groups, or the judiciary—can compel the government to use only for the purpose specified by the legislation.

The government-wide Statement of Net Assets reports $3.519 billion of restricted net assets, of which $17.743 million is restricted by enabling legislation.

NOTE 12. DEFICIT NET ASSETS AND FUND BALANCE

Funds reporting a deficit total net assets position at June 30, 2006, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ (162,331)
Petroleum Storage Tank	$ (48,515)

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, 2006, are (in thousands):

Internal Service Funds:	
General Services	$ (578)
Fleet Operations	$ (17,327)

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.

In addition, the Capital Projects – General Government Fund (nonmajor governmental fund) reported a $93.348 million deficit unreserved undesignated fund balance as a result of outstanding encumbrances on various capital projects. Appropriations and bond proceeds available in the next fiscal year will fund this deficit.

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, 2006, are as follows (in thousands):

	Transfers In: Governmental Funds					
Transfers Out:	**General Fund**	**Uniform School Fund**	**Transportation Fund**	**Transportation Investment Fund**	**Trust Lands Fund**	**Nonmajor Governmental Funds**
General Fund	$ —	$ 6,215	$ 53,449	$ 120,000	$ 22	$ 115,647
Uniform School Fund	226,116	—	—	—	—	63,957
Transportation Fund	34,581	—	—	76,832	—	9,411
Transportation Investment Fund	—	—	30,000	—	—	126,393
Nonmajor Governmental Funds	7,564	—	—	—	—	7,608
Unemployment Compensation	2,160	—	—	—	—	—
Water Loan Programs	3,198	—	—	—	—	—
Nonmajor Enterprise Funds	50,004	—	—	—	—	—
Internal Service Funds	66	—	—	—	—	2,500
Total Transfers In	$ 323,689	$ 6,215	$ 83,449	$ 196,832	$ 22	$ 325,516

Continues Below

	Enterprise Funds			
Transfers Out:	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers Out**
General Fund	$ 1,582	$ 72,807	$ 614	$ 370,336
Uniform School Fund	—	—	—	290,073
Transportation Fund	—	—	—	120,824
Transportation Investment Fund	—	—	—	156,393
Nonmajor Governmental Funds	—	—	—	15,172
Unemployment Compensation	—	—	—	2,160
Water Loan Programs	—	—	—	3,198
Nonmajor Enterprise Funds	—	—	14	50,018
Internal Service Funds	—	—	13	2,579
Total Transfers In	$ 1,582	$ 72,807	$ 641	$ 1,010,753

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 2006, the legislature authorized transfers of $66 thousand from the Internal Service Funds to the General Fund to subsidize general fund revenues. In addition, the Legislature authorized payments of $682.886 million to the Colleges and Universities. Payments to Colleges and Universities are reported as expenditures in both the General Fund fund statements and the Governmental Activities column of the Statement of Activities. They are also reported as revenues in the Component Units column of the Statement of Activities.

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.

- Members of the Navajo Nation allege the State of Utah has mismanaged Navajo Nation Trust Fund monies. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts and disbursements, and damages of $142 million including interest and attorneys' fees.

- A lawsuit was filed by the Tobacco Companies against the 45 states participating in a master settlement agreement in an effort to recoup tobacco settlement payments made in 2003. The plaintiffs allege that they are entitled to a non-participating manufacturer adjustment that will allow them to take a credit against the 2003 payment obligations. It is impossible to determine the potential liability; however, any settlement will be a reduction in future State tobacco receipts.

- In addition to the items above, the State is contesting other legal actions totaling over $16 million plus attorneys' fees and interest and other cases where the amount of potential loss is undeterminable.

B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, the allowability of $10.1 million of federal expenditures is in question. These costs will be contested with the federal agency involved, and management estimates the liability to be less than the questioned amounts. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2006, 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 $18 million per year for fiscal years 2007 and 2008. The State received $3.445 million in fiscal year 2006. 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 incurred prior to July 1, 2006. For property claims incurred July 1, 2006 and after, the State is totally self-insured up to $3.5 million. According to an actuarial study and other known factors, $46.725 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 $1.687 billion principal amount of Guarantied Bonds outstanding at June 30, 2006. The State cannot predict the amount of bonds that may be guarantied in future years, but no limitation is currently imposed by the Guaranty Act.

- The Attorney General of the State sued the tobacco industry for medical costs related to smoking. The State of Utah has signed on to a master settlement agreement along with 45 other states. The major tobacco manufacturers and most of the smaller manufacturers have joined the agreement. The State received $26.029 million from tobacco companies in fiscal year 2006 and expects to receive approximately $29.837 million in fiscal year 2007. Annual payments will be adjusted for factors such as inflation, decreased sales volume, previously settled law suits, disputed payments, and legal fees.

C. Commitments

- At June 30, 2006, the Industrial Assistance Program of the General

Fund had grant commitments of $1.409 million, contingent on participating companies meeting certain performance criteria.

- Utah Retirement Systems (pension trust funds) has at its yearend December 31, 2005, committed to fund certain private equity partnerships and real estate projects for an amount of $3.144 billion. Funding of $1.948 billion has been provided, leaving an unfunded commitment of $1.196 billion as of December 31, 2005, which will be funded over the next five years.

- As of June 30, 2006, the Utah Housing Corporation (major component unit) has committed to purchase mortgages under the warehouse loans and the Single-Family Mortgage Purchase Program in the amount of $39.4 million. The Corporation has a Revolving Credit Loan with a community development company in the amount of $2.5 million due August 3, 2007. At June 30, 2006, the outstanding balance was $412.5 thousand and bears interest at the LIBOR Rate plus 2.5 percent.

- At June 30, 2006, the enterprise funds had loan commitments of approximately $251.182 million and grant commitments of approximately $23.607 million.

- At June 30, 2006, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Programs, major enterprise fund) had guaranteed student loans outstanding with an original principal amount of approximately $2.325 billion. Also, at June 30, 2006, the Student Assistance Programs had commitments to purchase approximately $341.677 million in student loans and provide approximately $10.212 million in reductions to borrower loan balances.

- At June 30, 2006, the Department of Transportation had construction and other contract commitments of $516.569 million, of which $321.641 million is for Transportation Investment Fund (special revenue fund) projects and $194.928 million is for Transportation Fund (special revenue fund) projects. These commitments will be funded with bonded debt and future appropriations.

NOTE 15. JOINT VENTURE

The Utah Communications Agency Network (UCAN) was created by the State Legislature in 1997 as an independent agency. Its purpose is to provide public safety communications services and facilities on a regional or statewide basis.

UCAN's governing board consists of ten representatives elected by the board, and five state representatives of which four are appointed by the Governor. The State has contracted to purchase communication services from UCAN to meet the needs of law enforcement officers in the Departments of Public Safety, Corrections, Natural Resources, and other smaller state agencies.

In fiscal year 1998 the State provided startup capital of $185 thousand. UCAN 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 had $9.8 million of revenue bonds outstanding at June 30, 2006. 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 Utah State Auditor's Office audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the Utah State Auditor's Office.

NOTE 16. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

A. Utah Retirement Systems

Utah Retirement Systems (URS) was established by Section 49 of *Utah Code Annotated, 1953,* as amended. URS administers the pension systems and plans under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the Governor. URS has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans it administers. URS maintains records and prepares separately issued financial statements using fund accounting principles and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. URS reports on a calendar yearend. The December 31, 2005, 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 Fire-fighters 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 agent and cost-sharing, multiple-employer retirement system;

- The Judges Retirement System and the Utah Governors and Legislative Pension Plan, which are single-employer service employee retirement systems; and four defined contribution plans comprised of the 401(k) Plan, 457 Plan, Roth and Traditional IRA 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 $1,140 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 $25.20 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the systems may leave their retirement account intact for future benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some systems are also augmented by fees or insurance premium taxes. Below is a summary of system participants.

Participants
December 31, 2005

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan
Number of participating:						
Employers	401	161	120	48	1	1
Members:						
Active	85,637	3,198	7,239	1,636	108	88
Terminated vested	26,028	1,437	1,376	94	6	96
Retirees and beneficiaries:						
Service benefits	25,710	6,171	3,252	909	88	230
Disability benefits	—	4	16	65	—	—

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:						
2006	$ 4,197	$ 87,445	$ 22,701	$ 49	$ 1,007	$ 115,399
2005	$ 4,335	$ 80,966	$ 21,112	$ 52	$ 814	$ 107,279
2004	$ 3,894	$ 67,745	$ 19,165	$ 50	$ 782	$ 91,636
2003	$ 3,683	$ 60,033	$ 16,713	$ 47	$ 539	$ 81,015
2002	$ 5,777	$ 93,037	$ 25,921	$ 58	$ 928	$ 125,721
Component Units:						
Colleges and Universities:						
2006	$ 2,117	$ 37,813	$ 425	$ —	$ —	$ 40,355
2005	$ 2,201	$ 35,195	$ 422	$ —	$ —	$ 37,818
2004	$ 1,996	$ 30,434	$ 411	$ —	$ —	$ 32,841
2003	$ 1,840	$ 29,409	$ 375	$ —	$ —	$ 31,624
2002	$ 1,904	$ 28,028	$ 399	$ —	$ —	$ 30,331
Other:						
2006	$ 60	$ 2,385	$ —	$ —	$ —	$ 2,445
2005	$ 59	$ 2,273	$ —	$ —	$ —	$ 2,332
2004	$ 52	$ 1,913	$ —	$ —	$ —	$ 1,965
2003	$ 44	$ 1,609	$ —	$ —	$ —	$ 1,653
2002	$ 43	$ 258	$ —	$ —	$ —	$ 301
Total Primary Government and Component Units:						
2006	$ 6,374	$ 127,643	$ 23,126	$ 49	$ 1,007	$ 158,199
2005	$ 6,595	$ 118,434	$ 21,534	$ 52	$ 814	$ 147,429
2004	$ 5,942	$ 100,092	$ 19,576	$ 50	$ 782	$ 126,442
2003	$ 5,567	$ 91,051	$ 17,088	$ 47	$ 539	$ 114,292
2002	$ 7,724	$ 121,323	$ 26,320	$ 58	$ 928	$ 156,353

The following schedule summarizes contribution rates in effect at December 31, 2005:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00%	7.08% – 8.89%	—
Noncontributory	—	11.09% – 13.38%	—
Public Safety:			
Contributory	10.50% – 13.74%	7.95% – 19.96%	—
Noncontributory	—	19.34% – 32.52%	—
Firefighters:			
Division A	8.61%	—	12.16%
Division B	7.83%	—	12.16%
Judges:			
Contributory	2.00%	6.26%	19.19%
Noncontributory	—	8.26%	19.19%
Governors and Legislative	—	—	—

Deferred Compensation Plans

The 401(k), 457, Roth, and Traditional IRA Plans 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. 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 351 employers participating in the 401(k) Plan and 154 employers participating in the 457 Plan. There are 127,279 plan participants in the 401(k) Plan, 13,825 participants in the 457 Plan, 259 participants in the Roth IRA Plan, and 118 participants in the Traditional IRA 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 defined contribution plans account balances are fully vested to the participants at the time of deposit. Investments of the plans are reported at fair value.

Employees of the State are eligible to participate in the deferred compensation 401(k) 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, 2006, by employees and employers are as follows: for Primary Government, $35.55 million and $12.368 million; for Component Units – Colleges and Universities, $4.134 million and $4.21 million; for Component Units – Other, $857 thousand and $570 thousand; and the combined total for all is $40.541 million and $17.148 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 12 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 12 percent, approximately 3 percent are U.S. Government debt securities and 9 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)

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan
Receivables:						
Member Contributions	$ —	$ 441	$ 235	$ 300	$ —	$ —
Employer Contributions	25,543	595	2,802	—	37	—
Court Fees and Fire Insurance Premium	—	—	—	—	142	—
Investments	599,481	43,986	74,936	29,645	4,893	489
Total Receivables	$ 625,024	$ 45,022	$ 77,973	$ 29,945	$ 5,072	$ 489
Investments:						
Debt Securities	$ 3,422,029	$ 251,090	$ 427,758	$ 169,229	$ 27,928	$ 2,793
Equity Investments	8,004,825	587,350	1,000,614	395,859	65,330	6,535
Private Equity	486,622	35,706	60,828	24,065	3,971	397
Real Estate	1,872,423	137,389	234,056	92,596	15,281	1,528
Mortgage Loans	5,462	401	682	270	45	4
Invested Securities Lending Collateral	1,894,493	139,007	236,815	93,688	15,462	1,547
Investment Contracts	—	—	—	—	—	—
Total Investments	$ 15,685,854	$ 1,150,943	$ 1,960,753	$ 775,707	$ 128,017	$ 12,804

Continues Below

	401(k) Plan	457 Plan	Roth IRA Plan	Traditional IRA Plan	Total December 31 2005
Receivables:					
Member Contributions	$ —	$ —	$ —	$ —	$ 976
Employer Contributions	—	—	—	—	28,977
Court Fees and Fire Insurance Premium	—	—	—	—	142
Investments	43,603	2,404	—	—	799,437
Total Receivables	$ 43,603	$ 2,404	$ 0	$ 0	$ 829,532
Investments:					
Debt Securities	$ 694,087	$ 73,049	$ 289	$ 2,016	$ 5,070,268
Equity Investments	1,333,317	137,562	736	4,531	11,536,659
Private Equity	—	—	—	—	611,589
Real Estate	—	—	—	—	2,353,273
Mortgage Loans	—	—	—	—	6,864
Invested Securities Lending Collateral	68,422	5,553	25	119	2,455,131
Investment Contracts	31,364	15,855	—	—	47,219
Total Investments	$ 2,127,190	$ 232,019	$ 1,050	$ 6,666	$ 22,081,003

Actuarial Methods and Assumptions

The information contained in the Schedules of Funding Progress is based on the actuarial study dated January 1, 2005 and calendar year 2005 activity. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems for the last ten years in their separately presented financial reports based on the report generated by the latest actuarial study, conducted by Gabriel, Roeder, Smith & Company. The actuarial value of assets 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, open 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.

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, 2004	$ 913,949	$ 11,657,525	$ 1,448,888	$ 589,502	$ 97,412	$ 10,905
January 1, 2005	$ 933,974	$ 12,212,437	$ 1,524,904	$ 610,688	$ 100,814	$ 10,650
December 31, 2005	$ 955,390	$ 13,065,512	$ 1,633,022	$ 644,496	$ 106,374	$ 10,587
Actuarial Accrued Liability (AAL):						
January 1, 2004	$ 982,569	$ 12,351,310	$ 1,556,758	$ 549,378	$ 97,902	$ 8,812
January 1, 2005	$ 1,013,836	$ 13,235,444	$ 1,726,785	$ 578,891	$ 104,210	$ 8,727
December 31, 2005	$ 1,047,544	$ 14,165,548	$ 1,851,635	$ 617,088	$ 110,667	$ 8,662
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 2004	$ 68,620	$ 693,785	$ 107,870	$ (40,124)	$ 490	$ (2,093)
January 1, 2005	$ 79,862	$ 1,023,007	$ 201,881	$ (31,797)	$ 3,396	$ (1,923)
December 31, 2005	$ 92,154	$ 1,101,036	$ 218,613	$ (27,408)	$ 4,293	$ (1,925)
Funding Ratios:						
January 1, 2004	93.0%	94.4%	93.1%	107.3%	99.5%	123.8%
January 1, 2005	92.1%	92.3%	88.3%	105.5%	96.7%	122.0%
December 31, 2005	91.2%	92.2%	88.2%	104.5%	96.1%	122.2%
Annual Covered Payroll:						
January 1, 2004	$ 139,470	$ 2,959,347	$ 278,402	$ 75,619	$ 10,888	$ 556
January 1, 2005	$ 139,362	$ 3,084,317	$ 293,797	$ 79,638	$ 11,646	$ 556
December 31, 2005	$ 137,730	$ 3,165,504	$ 298,756	$ 84,061	$ 11,594	$ 887
UAAL as a Percent of Covered Payroll:						
January 1, 2004	49.2%	23.4%	38.7%	(53.1)%	4.5%	(376.4)%
January 1, 2005	57.3%	33.2%	68.7%	(39.9)%	29.2%	(345.9)%
December 31, 2005	66.9%	34.8%	73.2%	(32.6)%	37.0%	(217.0)%

B. **Teachers Insurance and Annuity Association-College Retirement Equities Fund**

Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), privately administered defined-contribution retirement plans, provides individual retirement fund contracts for each eligible participating employee. Eligible employees are mainly state college/university faculty and staff. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. 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 total contribution made by the college and university (component units) to the TIAA-CREF retirement system for June 30, 2006 and 2005, were $105.08 million and $98.347 million, respectively.

NOTE 17. POSTEMPLOYMENT BENEFITS

At the option of the individual state agencies, 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. The 2005 Legislature passed House Bill 213, *Unused Sick Leave at Retirement Amendments* that became effective January 1, 2006. Beginning January 1, 2006, upon retirement, the employee receives 25 percent of the value of unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. Employees retiring *prior* to January 1, 2006, were paid up to 25 percent of the value of unused accumulated sick leave.

In addition, the employee may receive health and life insurance coverage for up to five years or until age 65, whichever comes first. However, as of January 1, 2006, this part of the program will phase out over the next five years. If the employee has not reached age 65 or the employee retires after the phase out period, then that employee may exchange one day of unused accumulated sick leave earned *prior* to January 1, 2006, for one month of paid health and life insurance coverage. After age 65, the employee may use any remaining unused accumulated sick leave, earned *prior* to January 1, 2006, to exchange for spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. The value of any unused accumulated sick leave earned *on or after* January 1, 2006, will be converted to a health reimbursement account for the retiree at retirement. As of June 30, 2006, there were 2,842 individuals on the program. For retirees that participate in the health program, insurance premiums are paid 100 percent by the State for individuals that retired 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 Governmental Accounting Standards Board (GASB) issued Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Additionally GASB issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB Statements 43 and 45, which will be implemented by the State for the fiscal year beginning July 1, 2006, will require that the long-term cost of retirement health care and other obligations for postemployment benefits be determined on an actuarial basis and reported similar to pension plans. An actuarial study was completed to determine the actuarial accrued liability as of December 31, 2004. The study determined the liability if funded at transition of $487.798 million, or $749.238 million if not funded at transition. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements. The Legislature took steps through the appropriations process to fund the actuarial required contribution (ARC) of $46.814 million for the fiscal year ending June 30, 2007. In addition, the Legislature is expected to consider the creation of a trust fund in the next General Session. The State will request another actuarial study prior to implementing these standards for fiscal year 2007.

The estimated 25 percent sick leave payouts at retirement and the estimated unused sick leave that will be converted to health reimbursement accounts are included in the liability for compensated absences. Charges to agency budgets are made on an ongoing basis to fund the current payments for postemployment benefits and compensated absences. For the year ended June 30, 2006, $20.492 million in postemployment benefit expenditures were recognized.

A liability is also reported in the Pension Trust Funds of $6.162 million, including $2.401 million for compensated absences, 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, 2006, there are 331 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, 2006, the State paid $5.618 million in premiums and the program has $25.982 million in assets.

NOTE 18. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management (internal service fund) and the Public Employees Health Program (component unit). The State is the predominant participant in these programs. The Risk Management Fund manages the general property, auto/physical damage, and liability risk of the State. The Public Employees Health Program manages the health insurance programs of the State. The University of Utah, Utah State University, Southern Utah University, and Salt Lake Community College (component units) each maintain self-insurance funds to manage health care. The University of Utah also maintains a self-insurance fund to manage medical malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverage for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, auto/physical damage, group medical and dental, and some environmental claims. They also service the general risk claims for all local school districts and many charter schools within the State. All funds, agencies, schools, and public authorities of the State may participate in the State's Risk Management and Public Employees Health Programs. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The reserve for liability losses is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Public Employees Health Program claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. The Risk Management claim liabilities reserves are reported using a discount rate of 5 percent. The Public Employees Health Program long-term disability benefit reserves are reported using a discount rate of 5.5 percent. The primary government and the discrete component units of the State paid premiums to the Public Employees Health Program of $262.026 million and $12.658 million, respectively, for health and life insurance coverage in fiscal year 2006. In addition, the State Department of Health paid $30.738 million in premiums to the Public Employees Health Program 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, Utah State University, Southern Utah University, and Salt Lake Community College report claims liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University of Utah Hospital and Clinics have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by 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, 2005, and June 30, 2006:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2005	$ 40,423	$ 11,250	$ (7,000)	$ 44,673
2006	$ 44,673	$ 12,758	$ (10,706)	$ 46,725
Public Employees Health Program:				
2005	$ 99,314	$ 463,990	$(455,908)	$ 107,396
2006	$ 107,396	$ 515,022	$(498,983)	$ 123,435
College and University Self-Insurance:				
2005	$ 44,899	$ 154,507	$(143,993)	$ 55,413
2006	$ 55,413	$ 171,412	$(168,650)	$ 58,175

NOTE 19. SUBSEQUENT EVENTS

On October 26, 2006 the University of Utah (major component unit) issued $77.145 million Hospital Revenue and Refunding Bonds Series 2006A and $20.240 million Variable Rate Hospital Revenue Bonds Series 2006B.

In August 2006 Salt Lake Community College (nonmajor component unit) received and accepted an offer to purchase a building in downtown Salt Lake City for $5.2 million with settlement on October 20, 2006. As part of the closing, notes payable to RDA and Zions Bank totaling $4.508 million were liquidated. The terms of the sale permit continued occupancy through December 31, 2006 allowing classes to continue through fall semester.

Subsequent to June 30, 2006 the Utah Housing Corporation (major component unit) issued $13.905 million Single-Family Mortgage Purchase Variable Rate Bonds, 2006 Series D, maturing on January 1, 2038, interest at a variable rate adjusted weekly, and issued $21.095 million Single-Family Mortgage Purchase Fixed Rate Bonds, 2006 Series D, maturing July 1, 2008 through 2016, on January 1, 2028 and 2032, and on July 1, 2034, interest rate of 4 percent and 6.41 percent.

REQUIRED SUPPLEMENTARY INFORMATION

State of Utah

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,614,055	$ 1,744,000	$ 1,806,265	$ 62,265
Licenses, Permits, and Fees:				
Insurance Fees	5,763	5,628	5,468	(160)
Court Fees	5,312	5,565	4,167	(1,398)
Other Licenses, Permits, and Fees	7,463	8,030	9,158	1,128
Investment Income	11,000	25,000	40,006	15,006
Miscellaneous Taxes and Other:				
Beer Tax	9,800	8,242	8,720	478
Cigarette and Tobacco Tax	49,200	49,257	52,112	2,855
Inheritance Tax	—	4,000	7,448	3,448
Insurance Premium Tax	70,000	73,000	71,418	(1,582)
Oil, Gas, and Mining Severance Tax	49,500	78,000	88,557	10,557
Taxpayer Rebates	(5,600)	(6,000)	(5,611)	389
Court Collections	5,488	5,775	5,613	(162)
Other Taxes	18,514	25,589	26,881	1,292
Miscellaneous Other	9,319	10,414	11,053	639
Total General Revenues	1,849,814	2,036,500	2,131,255	94,755
Department Specific Revenues				
Restricted Sales Tax	2,638	2,625	2,625	—
Federal Contracts and Grants	1,910,048	1,850,706	1,850,706	—
Departmental Collections	254,606	266,104	278,380	12,276
Higher Education Collections	322,093	331,587	331,587	—
Federal Mineral Lease	70,625	114,904	156,851	41,947
Investment Income	5,097	7,310	8,188	878
Miscellaneous	428,599	433,725	435,616	1,891
Total Department Specific Revenues	2,993,706	3,006,961	3,063,953	56,992
Total Revenues	4,843,520	5,043,461	5,195,208	151,747
Expenditures				
General Government	232,185	250,629	213,069	37,560
Human Services and Youth Corrections	609,356	611,740	601,938	9,802
Corrections, Adult	209,807	210,379	203,959	6,420
Public Safety	175,174	206,395	179,076	27,319
Courts	113,821	114,591	111,746	2,845
Health and Environmental Quality	1,886,373	1,880,552	1,863,578	16,974
Higher Education – State Administration	46,426	43,797	43,505	292
Higher Education – Colleges and Universities	988,995	1,004,840	1,004,840	—
Employment and Family Services	297,604	420,584	417,588	2,996
Natural Resources	149,989	164,490	144,601	19,889
Community and Culture	127,914	85,201	82,710	2,491
Business, Labor, and Agriculture	111,822	95,538	81,921	13,617
Total Expenditures	4,949,466	5,088,736	4,948,531	140,205
Excess Revenues Over (Under) Expenditures	(105,946)	(45,275)	246,677	291,952
Other Financing Sources (Uses)				
Transfers In	322,553	345,292	345,292	—
Transfers Out	(55,908)	(388,197)	(388,197)	—
Total Other Financing Sources (Uses)	266,645	(42,905)	(42,905)	0
Net Change in Fund Balance	160,699	(88,180)	203,772	291,952
Budgetary Fund Balance – Beginning	459,569	459,569	459,569	—
Budgetary Fund Balance – Ending	$ 620,268	$ 371,389	$ 663,341	$ 291,952

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

State of Utah

Budgetary Comparison Schedule
Uniform School Fund

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 1,939,950	$ 2,119,000	$ 2,288,483	$ 169,483
Corporate Tax	211,500	262,000	368,869	106,869
Investment Income	13,000	13,000	18,132	5,132
Miscellaneous Other	11,000	10,000	19,414	9,414
Total General Revenues	2,175,450	2,404,000	2,694,898	290,898
Department Specific Revenues				
Federal Contracts and Grants	315,621	371,888	371,888	—
Departmental Collections	2,640	6,563	6,563	—
Miscellaneous:				
School Lunch Tax	16,815	20,586	20,586	—
Driver Education Fee	4,320	4,735	4,735	—
Other	6,539	6,906	7,222	316
Total Department Specific Revenues	345,935	410,678	410,994	316
Total Revenues	2,521,385	2,814,678	3,105,892	291,214
Expenditures				
Public Education	2,304,745	2,371,270	2,331,806	39,464
Total Expenditures	2,304,745	2,371,270	2,331,806	39,464
Excess Revenues Over (Under) Expenditures	216,640	443,408	774,086	330,678
Other Financing Sources (Uses)				
Transfers In	5,420	6,215	6,215	—
Transfers Out	(267,709)	(290,073)	(290,073)	—
Total Other Financing Sources (Uses)	(262,289)	(283,858)	(283,858)	0
Net Change in Fund Balance	(45,649)	159,550	490,228	330,678
Budgetary Fund Balance – Beginning	227,476	227,476	227,476	—
Budgetary Fund Balance – Ending	$ 181,827	$ 387,026	$ 717,704	$ 330,678

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

State of Utah

Budgetary Comparison Schedule
Transportation Fund

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 239,000	$ 241,300	$ 240,432	$ (868)
Special Fuel Tax	93,500	98,900	101,098	2,198
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	31,525	31,444	32,579	1,135
Proportional Registration Fees	12,609	12,585	13,040	455
Temporary Permits	400	345	357	12
Special Transportation Permits	6,254	7,095	7,351	256
Highway Use Permits	8,807	8,289	8,588	299
Motor Vehicle Control Fees	5,004	4,886	5,062	176
Miscellaneous	2,001	1,861	1,928	67
Investment Income	2,400	5,546	5,746	200
Miscellaneous Other	1,000	1,949	2,019	70
Total General Revenues	402,500	414,200	418,200	4,000
Department Specific Revenues				
Restricted Sales and Aviation Fuel Taxes	31,921	32,483	35,551	3,068
Federal Contracts and Grants	130,317	264,262	264,262	—
Departmental Collections	37,451	49,121	50,190	1,069
Federal Aeronautics	33,000	33,000	37,521	4,521
Investment Income	904	904	1,548	644
Miscellaneous	4,350	30,674	32,107	1,433
Total Department Specific Revenues	237,943	410,444	421,179	10,735
Total Revenues	640,443	824,644	839,379	14,735
Expenditures				
Transportation	558,188	814,808	800,726	14,082
Total Expenditures	558,188	814,808	800,726	14,082
Excess Revenues Over (Under) Expenditures	82,255	9,836	38,653	28,817
Other Financing Sources (Uses)				
Transfers In	88	83,449	83,449	—
Transfers Out	(36,038)	(120,824)	(120,824)	—
Total Other Financing Sources (Uses)	(35,950)	(37,375)	(37,375)	0
Net Change in Fund Balance	46,305	(27,539)	1,278	28,817
Budgetary Fund Balance – Beginning	160,489	160,489	160,489	—
Budgetary Fund Balance – Ending	$ 206,794	$ 132,950	$ 161,767	$ 28,817

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

Budgetary Comparison Schedule
Transportation Investment Fund

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 65,000	$ 66,000	$ 65,851	$ (149)
Motor Vehicle Registration Fees	21,600	21,200	21,486	286
Investment Income	900	2,800	2,783	(17)
Total General Revenues	87,500	90,000	90,120	120
Department Specific Revenues				
Federal Contracts and Grants	34,000	5,416	5,416	—
Total Department Specific Revenues	34,000	5,416	5,416	0
Total Revenues	121,500	95,416	95,536	120
Expenditures				
Transportation	159,287	176,350	176,300	50
Total Expenditures	159,287	176,350	176,300	50
Excess Revenues Over (Under) Expenditures	(37,787)	(80,934)	(80,764)	170
Other Financing Sources (Uses)				
Transfers In	—	196,832	196,832	—
Transfers Out	—	(156,393)	(156,393)	—
Total Other Financing Sources (Uses)	0	40,439	40,439	0
Net Change in Fund Balance	(37,787)	(40,495)	(40,325)	170
Budgetary Fund Balance – Beginning	183,815	183,815	183,815	—
Budgetary Fund Balance – Ending	$ 146,028	$ 143,320	$ 143,490	$ 170

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, 2006 (Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund
Revenues				
Actual total revenues (budgetary basis)	$ 5,195,208	$ 3,105,892	$ 839,379	$ 95,536
Differences – Budget to GAAP:				
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(285,329)	(4,582)	(2,689)	—
Higher education and Utah Schools for the Deaf and the Blind collections are budgetary revenues but are not revenues for financial reporting	(338,985)	(4,814)	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	13,645	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	10,732	46,058	3,653	37
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 4,595,271	$ 3,142,554	$ 840,343	$ 95,573
Expenditures				
Actual total expenditures (budgetary basis)	$ 4,948,531	$ 2,331,806	$ 800,726	$ 176,300
Differences – Budget to GAAP:				
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(285,329)	(4,582)	(2,689)	—
Expenditures related to higher education and Utah Schools for the Deaf and the Blind collections are budgetary expenditures but are not expenditures for financial reporting	(338,985)	(4,814)	—	—
Certain budgetary transfers and other charges are reported as a reduction of expenditures for financial reporting	(16,486)	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	6,029	391	1,095	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	19,707	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 4,333,467	$ 2,322,801	$ 799,132	$ 176,300

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, 2006, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

Unexpended balances at yearend may: (***1***) lapse to unrestricted balances and be available for future appropriation; (***2***) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or (***3***) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by an *Appropriations Act*, or by limited encumbrances.

Budgetary Control

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The *Constitution of Utah* requires that budgeted expenditures not exceed estimated revenues and other sources of funding, including beginning balances.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental *Appropriations Act*.

Any department that spends more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by $82 thousand. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Spending Limitation

The State also has an appropriation limitation statute that limits the growth in state appropriations. The total of the amount appropriated from unrestricted General Fund sources plus the income tax revenues appropriated for higher education is limited to the growth in population and inflation. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for debt service, emergency expenditures, amounts from other than unrestricted revenue sources, transfers to the Budgetary Reserve Account (Rainy Day Fund), Education Budget Reserve Account and the Transportation Investment Fund; or capital developments meeting certain criteria are exempt from the appropriations limitation. For the fiscal year ended June 30, 2006, the State was $50.401 million below the appropriations limitation. The State is currently below the fiscal year 2007 appropriations limitation by $18.77 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). This includes infrastructure acquired prior to fiscal year 1981. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the State.

Roads

UDOT uses the Pavement Management System to determine the condition of 5,680 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

Category	Range	Description
Very Good	4.35 – 5.00	New or nearly new pavements that provide a very smooth ride, and are mainly free of distress.
Good	3.55 – 4.34	Pavements that provide an adequate ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Condition Level

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	2005	2004	2003
Fair or Better	69.5%	74.7%	74.8%
Very Poor	6.3%	6.2%	6.4%

The following table presents the State's estimated amounts needed to maintain and preserve roads at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2006	$ 240,854	$ 366,600
2005	$ 226,345	$ 307,858
2004	$ 231,214	$ 262,741
2003	$ 230,860	$ 224,645
2002	$ 242,287	$ 281,260

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,814 state-owned bridges. A number, ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

Category	Range	Description
Good	80 – 100	Preventive maintenance requirements include repair leaking deck joints, apply deck overlays and seals, place concrete sealers to splash zones, paint steel surfaces, and minor beam repairs.
Fair	50 – 79	Corrective repairs include deck, beam, and substructure repairs, fixing settled approaches, and repairing collision damage.
Poor	1 – 49	Major rehabilitation and replacement includes deck, beam, or substructure replacements or replacement of the entire bridge.

Condition Level

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	2006	2005	2004
Good	71.0%	71.0%	70.0%
Poor	2.0%	3.0%	3.0%

The following table presents the State's estimated amounts needed to maintain and preserve bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2006	$ 42,504	$ 64,694
2005	$ 39,943	$ 54,328
2004	$ 40,803	$ 46,366
2003	$ 40,739	$ 39,644
2002	$ 42,757	$ 49,634

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APPENDIX B

ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE BUILDING OWNERSHIP AUTHORITY AND THE STATE OF UTAH

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Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year (1)

Issued under the State Facilities Master Lease Program

Fiscal Year Ending June 30	Series 2007A $15,380,000		Series 2006A $8,355,000		Series 2004A $45,805,000		Series 2004B $8,920,000		Series 2003 $22,725,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007…………	$ 0	$ 0	$ 0	$ 351,478	$ 865,000	$ 2,194,600	$ 90,000	$ 310,595	$ 1,180,000	$ 849,693
2008…………	0	614,501	280,000	351,478	895,000	2,168,650	1,295,000	307,895	1,210,000	823,143
2009…………	295,000	725,313	290,000	341,678	1,930,000	2,141,800	1,340,000	269,045	1,240,000	789,868
2010…………	520,000	712,775	300,000	330,078	2,405,000	2,079,075	1,380,000	225,495	1,275,000	752,668
2011…………	545,000	690,675	315,000	318,078	2,550,000	1,958,825	1,455,000	156,495	1,325,000	711,230
2012…………	565,000	667,513	325,000	307,053	2,665,000	1,831,325	1,500,000	108,480	1,375,000	663,530
2013…………	585,000	643,500	335,000	295,678	2,795,000	1,698,075	1,555,000	55,980	1,440,000	594,780
2014…………	610,000	618,638	350,000	282,278	2,945,000	1,558,325	–	–	835,000	537,180
2015…………	645,000	592,713	365,000	268,278	3,085,000	1,411,075	–	–	875,000	503,780
2016…………	665,000	563,688	380,000	253,678	3,245,000	1,256,825	–	–	900,000	468,780
2017…………	695,000	533,763	395,000	238,478	3,405,000	1,094,575	–	–	940,000	432,780
2018…………	735,000	502,488	410,000	222,678	2,450,000	924,325	–	–	980,000	394,240
2019…………	760,000	471,250	425,000	205,663	2,230,000	801,825	–	–	1,020,000	353,080
2020…………	795,000 (2)	438,000	445,000	187,600	2,345,000	690,325	–	–	1,065,000	310,240
2021…………	835,000 (2)	398,250	465,000	168,688	2,110,000	567,213	–	–	1,110,000	264,978
2022…………	880,000 (3)	356,500	485,000	145,438	1,665,000	456,438	–	–	1,160,000	216,415
2023…………	915,000 (3)	312,500	510,000	122,400	1,755,000	369,025	–	–	1,210,000	165,375
2024…………	965,000 (4)	266,750	535,000 (6)	96,900	1,845,000	276,888	–	–	1,265,000	110,925
2025…………	1,015,000 (4)	218,500	560,000 (6)	74,163	1,830,000 (7)	180,025	–	–	1,080,000	54,000
2026…………	1,065,000 (5)	167,750	580,000 (6)	50,363	1,250,000 (7)	93,100	–	–	–	–
2027…………	1,115,000 (5)	114,500	605,000 (6)	25,713	710,000 (7)	33,725	–	–	–	–
2028…………	1,175,000 (5)	58,750	–	–	–	–	–	–	–	–
Totals………	$15,380,000	$ 9,668,314	$ 8,355,000	$ 4,637,830	$44,975,000	$23,786,038	$ 8,615,000	$1,433,985	$ 21,485,000	$ 8,996,683

Fiscal Year Ending June 30	Series 2001C $30,300,000		Series 2001A $69,850,000		Series 2001B $25,780,000		Series 1999A $9,455,000		Series 1998C $105,100,000	
	Principal (8)	Interest (9)	Principal	Interest	Principal	Interest	Principal	Interest	Principal (13)	Interest
2007…………	$ 0	$ 1,136,250	$ 3,125,000	$ 3,233,750	$ 935,000	$ 1,100,203	$ 365,000	$ 60,375	$ 1,135,000	$ 5,528,180
2008…………	0	1,136,250	3,250,000	3,077,500	965,000	1,062,803	380,000	41,213	7,500,000	5,479,375
2009…………	0	1,136,250	3,375,000	2,915,000	1,005,000	1,024,203	405,000	21,263	7,895,000	5,066,875
2010…………	0	1,136,250	3,500,000	2,746,250	1,055,000	984,003	0	0 (11)	8,330,000	4,632,650
2011…………	0	1,136,250	3,650,000	2,571,250	1,090,000	941,803	0	0 (11)	8,810,000	4,174,500
2012…………	0	1,136,250	3,800,000	2,388,750	1,135,000	898,203	0	0 (11)	8,740,000	3,689,950
2013…………	0	1,136,250	3,975,000	2,198,750	1,175,000	852,803	0	0 (11)	9,220,000	3,209,250
2014…………	0	1,136,250	4,175,000	2,000,000	1,225,000	804,628	0	0 (11)	9,730,000	2,702,150
2015…………	0	1,136,250	4,400,000	1,791,250	1,280,000	753,178	0	0 (12)	9,270,000	2,167,000
2016…………	0	1,136,250	4,625,000	1,571,250	1,335,000	698,138	0	0 (12)	9,670,000 (14)	1,657,150
2017…………	0	1,136,250	4,850,000	1,340,000	1,400,000	631,388	0	0 (12)	9,560,000 (14)	1,125,300
2018…………	0	1,136,250	5,100,000	1,097,500	1,465,000	561,388	0	0 (12)	8,690,000 (14)	599,500
2019…………	0	1,136,250	5,350,000	842,500	1,550,000	488,138	0	0 (12)	2,210,000 (14)	121,550
2020…………	0	1,136,250	5,600,000	575,000	1,620,000	410,638	0	0 (12)	–	–
2021…………	0	1,136,250	5,900,000	295,000	1,705,000	329,638	0	0 (12)	–	–
2022…………	30,300,000	1,136,250	–	–	1,760,000 (10)	244,388	–	–	–	–
2023…………	–	–	–	–	1,850,000 (10)	151,988	–	–	–	–
2024…………	–	–	–	–	1,045,000 (10)	54,863	–	–	–	–
2025…………	–	–	–	–	–	–	–	–	–	–
2026…………	–	–	–	–	–	–	–	–	–	–
2027…………	–	–	–	–	–	–	–	–	–	–
2028…………	–	–	–	–	–	–	–	–	–	–
Totals………	$30,300,000	$18,180,000	$64,675,000	$28,643,750	$23,595,000	$11,992,394	$ 1,150,000	$ 122,850	$100,760,000	$40,153,430

(1) This table reflects the Authority's debt service schedule for its lease revenue bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year.
(2) Mandatory sinking fund payments from a $1,630,000, 5%, term bond due May 15, 2021.
(3) Mandatory sinking fund payments from a $1,795,000, 5%, term bond due May 15, 2023.
(4) Mandatory sinking fund payments from a $1,980,000, 5%, term bond due May 15, 2025.
(5) Mandatory sinking fund payments from a $3,355,000, 5%, term bond due May 15, 2028.
(6) Mandatory sinking fund payments from a $2,280,000, 4.25%, term bond due May 15, 2027.
(7) Mandatory sinking fund payments from a $3,790,000, 4.75%, term bond due May 15, 2027.
(8) The maturity date for the 2001C Lease Revenue Bonds is May 15, 2022.
(9) The 2001C Lease Revenue Bonds are variable rate interest bonds. Interest has been estimated at an average coupon rate of 3.75% per annum.
(10) Mandatory sinking fund payments from a $4,655,000, 5.25%, term bond due May 15, 2024.
(11) Principal and interest have been refunded by the 2004A Lease Revenue Bonds.
(12) Principal and interest have been refunded by the 2004A Lease Revenue Bonds ($4,335,000, 5.50%, term bond which was due May 15, 2021).
(13) On December 1, 2006, portions of principal amounts maturing May 15, 2007 through May 15, 2019 (in the amount of $2,925,000) have been legally defeased by an irrevocable escrow account.
(14) Mandatory sinking fund payments from a $30,130,000, 5.50%, term bond due May 15, 2019.

Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year (1)–continued

Issued under the State Facilities Master Lease Program

Fiscal Year Ending June 30	Series 1998A $25,710,000 Principal	Series 1998A $25,710,000 Interest	Series 1997A $4,150,000 Principal	Series 1997A $4,150,000 Interest	Series 1996A $44,725,000 Principal	Series 1996A $44,725,000 Interest	Series 1996B $16,875,000 Principal	Series 1996B $16,875,000 Interest	Series 1995A $93,000,000 Principal	Series 1995A $93,000,000 Interest
2007…………	$ 735,000	$ 67,950	$ 190,000	$ 17,905	$1,840,000 (5)	$101,200 (5)	$ 1,150,000	$ 57,500	$4,155,000	$216,060
2008…………	775,000	34,875	195,000	9,165	0	0 (6)	0	0 (9)	0	0 (6)
2009…………	0	0 (2)	0	0 (2)	0	0 (6)	0	0 (9)	0	0 (6)
2010…………	0	0 (2)	0	0 (2)	0	0 (6)	0	0 (9)	0	0 (6)
2011…………	0	0 (2)	0	0 (2)	0	0 (6)	0	0 (10)	0	0 (6)
2012…………	0	0 (2)	0	0 (2)	0	0 (6)	0	0 (10)	0	0 (6)
2013…………	0	0 (3)	0	0 (2)	0	0 (6)	0	0 (10)	0	0 (6)
2014…………	0	0 (3)	0	0 (2)	0	0 (6)	–	–	0	0 (6)
2015…………	0	0 (3)	0	0 (4)	0	0 (7)	–	–	0	0 (6)
2016…………	0	0 (3)	0	0 (4)	0	0 (7)	–	–	0	0 (6)
2017…………	0	0 (3)	0	0 (4)	0	0 (8)	–	–	0	0 (6)
2018…………	0	0 (3)	0	0 (4)	0	0 (8)	–	–	0	0 (11)
2019…………	0	0 (3)	–	–	0	0 (8)	–	–	–	–
2020…………	0	0 (3)	–	–	–	–	–	–	–	–
2021…………	–	–	–	–	–	–	–	–	–	–
2022…………	–	–	–	–	–	–	–	–	–	–
2023…………	–	–	–	–	–	–	–	–	–	–
2024…………	–	–	–	–	–	–	–	–	–	–
2025…………	–	–	–	–	–	–	–	–	–	–
2026…………	–	–	–	–	–	–	–	–	–	–
2027…………	–	–	–	–	–	–	–	–	–	–
2028…………	–	–	–	–	–	–	–	–	–	–
Totals……….	$1,510,000	$102,825	$ 385,000	$ 27,070	$1,840,000	$101,200	$ 1,150,000	$ 57,500	$4,155,000	$216,060

(1) This table reflects the Authority's debt service schedule for its lease revenue bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year.
(2) Principal and interest have been refunded by the 2004A Lease Revenue Bonds.
(3) Principal and interest have been refunded by the 2004A Lease Revenue Bonds ($5,800,000, 5.25%, term bond which was due May 15, 2020).
(4) Principal and interest have been refunded by the 2004A Lease Revenue Bonds ($1,210,000, 5.125%, term bond which was due May 15, 2018).
(5) On December 1, 2006, $170,000 of principal and interest was refunded in advance of its stated maturity by an irrevocable escrow account.
(6) Principal and interest have been refunded by the 1998C Lease Revenue Bonds.
(7) Principal and interest have been refunded by the 1998C Lease Revenue Bonds ($5,140,000, 6.00%, term bond which was due May 15, 2016).
(8) Principal and interest have been refunded by the 1998C Lease Revenue Bonds ($7,960,000, 6.00%, term bond which was due May 15, 2019).
(9) Principal and interest have been refunded by the 2004B Lease Revenue Bonds.
(10) Principal and interest have been refunded by the 2004B Lease Revenue Bonds ($4,460,000, 5.40%, term bond which was due May 15, 2013).
(11) Principal and interest have been refunded by the 1998C Lease Revenue Bonds ($18,555,000, 5.75%, term bond which was due May 15, 2018).

Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year (1)–continued

Issued Under Stand Alone Legal Documents

Fiscal Year Ending June 30	Series 1993A; $6,230,000			Series 1992B; $1,380,000			Series 1992A; $26,200,000		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2007……….	$ 360,000	$ 154,105	$ 514,105	$ 90,000	$ 33,638	$ 123,638	$ 1,640,000	$ 608,350	$ 2,248,350
2008……….	380,000	136,105	516,105	95,000	28,319	123,319	1,735,000	511,319	2,246,319
2009……….	400,000	116,725	516,725	100,000	22,713	122,713	1,835,000	408,681	2,243,681
2010……….	425,000	96,125	521,125	105,000	16,819	121,819	1,945,000	300,006	2,245,006
2011……….	445,000 (2)	74,025	519,025	110,000	10,500	120,500	2,060,000	184,863	2,244,863
2012……….	470,000 (2)	50,663	520,663	120,000	3,600	123,600	2,185,000	62,819	2,247,819
2013……….	495,000 (2)	25,988	520,988	–	–	–	–	–	–
2014……….	–	–	–	–	–	–	–	–	–
2015……….	–	–	–	–	–	–	–	–	–
2016……….	–	–	–	–	–	–	–	–	–
2017……….	–	–	–	–	–	–	–	–	–
2018……….	–	–	–	–	–	–	–	–	–
2019……….	–	–	–	–	–	–	–	–	–
2020……….	–	–	–	–	–	–	–	–	–
2021……….	–	–	–	–	–	–	–	–	–
2022……….	–	–	–	–	–	–	–	–	–
2023……….	–	–	–	–	–	–	–	–	–
2024……….	–	–	–	–	–	–	–	–	–
2025……….	–	–	–	–	–	–	–	–	–
2026……….	–	–	–	–	–	–	–	–	–
2027……….	–	–	–	–	–	–	–	–	–
2028……….	–	–	–	–	–	–	–	–	–
Totals……….	$ 2,975,000	$ 653,736	$ 3,628,736	$ 620,000	$ 115,589	$ 735,589	$ 11,400,000	$ 2,076,038	$ 13,476,038

Fiscal Year Ending June 30	Total Bonds issued under **State Facilities Master Lease Program***			Total Bonds issued under **Stand Alone Legal Documents**			**Total All Lease Obligations***		
	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service
2007……….	$ 15,765,000	$ 15,225,738	$ 30,990,738	$ 2,090,000	$ 796,093	$ 2,886,093	$ 17,855,000	$ 16,021,831	$ 33,876,831
2008……….	16,745,000	15,106,846	31,851,846	2,210,000	675,743	2,885,743	18,955,000	15,782,589	34,737,589
2009……….	17,775,000	14,431,293	32,206,293	2,335,000	548,119	2,883,119	20,110,000	14,979,412	35,089,412
2010……….	18,765,000	13,599,243	32,364,243	2,475,000	412,950	2,887,950	21,240,000	14,012,193	35,252,193
2011……….	19,740,000	12,659,106	32,399,106	2,615,000	269,388	2,884,388	22,355,000	12,928,494	35,283,494
2012……….	20,105,000	11,691,053	31,796,053	2,775,000	117,082	2,892,082	22,880,000	11,808,135	34,688,135
2013……….	21,080,000	10,685,066	31,765,066	495,000	25,988	520,988	21,575,000	10,711,054	32,286,054
2014……….	19,870,000	9,639,448	29,509,448	–	–	–	19,870,000	9,639,448	29,509,448
2015……….	19,920,000	8,623,523	28,543,523	–	–	–	19,920,000	8,623,523	28,543,523
2016……….	20,820,000	7,605,758	28,425,758	–	–	–	20,820,000	7,605,758	28,425,758
2017……….	21,245,000	6,532,533	27,777,533	–	–	–	21,245,000	6,532,533	27,777,533
2018……….	19,830,000	5,438,368	25,268,368	–	–	–	19,830,000	5,438,368	25,268,368
2019……….	13,545,000	4,420,256	17,965,256	–	–	–	13,545,000	4,420,256	17,965,256
2020……….	11,870,000	3,748,053	15,618,053	–	–	–	11,870,000	3,748,053	15,618,053
2021……….	12,125,000	3,160,016	15,285,016	–	–	–	12,125,000	3,160,016	15,285,016
2022……….	36,250,000	2,555,428	38,805,428	–	–	–	36,250,000	2,555,428	38,805,428
2023……….	6,240,000	1,121,288	7,361,288	–	–	–	6,240,000	1,121,288	7,361,288
2024……….	5,655,000	806,326	6,461,326	–	–	–	5,655,000	806,326	6,461,326
2025……….	4,485,000	526,688	5,011,688	–	–	–	4,485,000	526,688	5,011,688
2026……….	2,895,000	311,213	3,206,213	–	–	–	2,895,000	311,213	3,206,213
2027……….	2,430,000	173,938	2,603,938	–	–	–	2,430,000	173,938	2,603,938
2028……….	1,175,000	58,750	1,233,750	–	–	–	1,175,000	58,750	1,233,750
Totals……….	$328,330,000	$148,119,928	$476,449,928	$14,995,000	$2,845,363	$17,840,363	$343,325,000	$150,965,291	$494,290,291

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

(1) This table reflects the Authority's debt service schedule for its lease revenue bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year.

(2) Mandatory sinking fund payments from a $1,410,000, 5.25%, term bond due January 1, 2013.

Legal Borrowing Authority Of The State

Constitutional Debt Limit. Article XIV, Section 1 of the State Constitution limits the total general obligation indebtedness of the State to an amount equal to 1.5% of the value of the total taxable property of the State, as shown by the last assessment for State purposes previous to incurring such debt. The application of this constitutional debt limit and the additional debt incurring capacity of the State under the Constitution are estimated to be on July 10, 2007 as follows:

Fair Market Value of Ad Valorem Taxable Property (1)	$186,836,223,701
Uniform Fees in lieu of Ad Valorem Taxable Property (2)	12,146,608,855
Total Fair Market Value of Taxable Property (1)	$198,982,832,556
Constitutional Debt Limit (1.5%)	$2,984,742,488
Less: Currently outstanding General Obligation Debt (Net) (3)	(1,209,593,432)
Estimated Additional Constitutional Debt Incurring Capacity of the State (4)	$1,775,149,056

(1) Based on 2005 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" in this OFFICIAL STATEMENT.
(2) Based on 2005 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.
(3) 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.

Statutory General Obligation Debt Limit. Title 63, Chapter 38c, of the Utah Code (the "State Appropriations and Tax Limitation Act"), among other things, limits the maximum general obligation borrowing ability of the State. Under the State Appropriations and Tax Limitation Act, the outstanding general obligation debt of the State at any time may not exceed 45% of the maximum allowable State budget appropriations limit as provided in that act. The State Appropriations and Tax Limitation Act also limits State government appropriations based upon a formula that reflects the changes in population and inflation. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments–Spending and Debt Limitations" in this OFFICIAL STATEMENT.

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, including, but not limited to the $1.04 billion of remaining highway general obligation bonds authorized in the 2007 General Session. See "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" below.

Using the budget appropriations for Fiscal Year 2008, the statutory general obligation debt limit under the State Appropriations and Tax Limitation Act and additional general obligation debt incurring capacity of the State under that act are as of July 10, 2007, as follows:

Statutory General Obligation Debt Limit (1)	$1,116,495,135
Less: Statutorily Applicable General Obligation Debt (Net) (2)	(440,084,109)
Remaining Statutory General Obligation Debt Incurring Capacity	$ 676,411,026

(1) 45% of Fiscal Year 2008 appropriation limit of $2,481,100,300.
(2) 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.

Authorized General Obligation Bonds and Future General Obligation Bonds Issuance. As of July 10, 2007, the State has approximately $1,183,403,000 ($1,031,005,000 for highway projects from a 2007 authorization; $111,100,000 for capital projects from a 2006 authorization; $4,600,000 for capital projects from a 2005 authorization; $4,300,000 for capital projects from a 2004 authorization; $26,398,000 for highway projects from a 2003 authorization; and $6,000,000 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 UDOT and DFCM for various capital projects.

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

Outstanding General Obligation Indebtedness Of The State

The State has issued general obligation bonds for general administrative buildings, higher education buildings, highways, water and wastewater facilities, flood control facilities, technology, and refunding purposes. As of July 10, 2007, the State expects to have the following principal amounts of general obligation debt outstanding:

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2007 (2)	Various purpose	$ 75,000,000	July 1, 2014	$ 75,000,000
2004B (3)	Various purpose	140,635,000	July 1, 2019	111,630,000
2004A (4)	Refunding	314,775,000	July 1, 2016	314,775,000
2003A (5)	Various purpose	407,405,000	July 1, 2013 (10)	293,425,000
2002B (6)	Refunding	253,100,000	July 1, 2012	250,580,000
2002A (7)	Various purpose	281,200,000	July 1, 2011 (10)	23,600,000
2001B (6) (7)	Various purpose	348,000,000	July 1, 2009 (10)	73,775,000
1998A (6) (8)	Various purpose	265,000,000	July 1, 2008 (11)	18,725,000
1997F (9)	Highway projects	205,000,000	July 1, 2007	0
1997E (9)	Highway projects	135,000,000	July 1, 2007	0
Total Principal Amount of outstanding General Obligation Debt (12)				$1,161,510,000

(1) Unless otherwise indicated, the outstanding general obligation bonds of the State are currently rated "AAA" by Fitch; "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT.
(2) $68,995,000 of these bonds are exempt from statutory debt limit calculations.
(3) $47,050,000 of these bonds are exempt from statutory debt limit calculations.
(4) $125,315,000 of these bonds are exempt from statutory debt limit calculations.
(5) Portions of this bond issue were refunded by the 2004A Bonds. $158,500,000 of these bonds are exempt from statutory debt limit calculations.
(6) These bonds are exempt from statutory debt limit calculations.
(7) Portions of this bond issue were refunded by the 2004A Bonds.
(8) Portions of this bond issue were refunded by the 2002B Bonds.
(9) These bonds are included in this table because final principal payments occurred within Fiscal Year 2008. See "Debt Service Schedule Of Outstanding General Obligation Bonds Of The State By Fiscal Year" below.
(10) Final maturity date after the refunding effected by the 2004A Bonds.
(11) Final maturity date after the refunding effected by the 2002B Bonds.
(12) For accounting purposes, the outstanding debt as shown above must be increased by the premium associated with debt issued and reduced by deferred amounts on refundings that are reported in the long–term debt notes of the State's financial statements. For accounting purposes, the total unamortized bond premium is $64,270,227 and the total deferred amount is $16,186,795, together with current debt outstanding, results in total outstanding net direct debt of $1,209,593,432.

(Source: Division of Finance.)

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

Fiscal Year Ending June 30	Series 2007 $75,000,000 Principal	Series 2007 Interest	Series 2004B $140,635,000 Principal	Series 2004B Interest	Series 2004A $314,775,000 Principal	Series 2004A Interest	Series 2003A $407,405,000 Principal	Series 2003A Interest
2007………	$ 0	$ 0	$ 7,785,000	$ 6,119,375	$ 0	$ 14,937,350	$ 7,775,000	$ 14,608,250
2008………	0	1,663,459	6,865,000	5,753,125	0	14,937,350	12,825,000	14,093,250
2009………	8,600,000	3,192,300	9,970,000	5,332,250	0	14,937,350	59,300,000	12,586,625
2010………	8,950,000	2,841,300	11,180,000	4,803,500	0	14,937,350	61,125,000	10,025,313
2011………	10,185,000	2,407,675	25,755,000	3,880,125	39,310,000	14,151,150	50,025,000	7,399,375
2012………	15,030,000	1,777,300	30,600,000	2,471,250	40,830,000	12,548,350	15,100,000	5,771,250
2013………	10,300,000	1,195,550	3,575,000	1,616,875	11,245,000	11,450,625	52,575,000	4,079,375
2014………	10,720,000	775,150	3,750,000	1,433,750	18,480,000	10,707,500	55,300,000	1,382,500
2015………	11,215,000	280,375	3,950,000	1,241,250	73,595,000	8,405,625	0	0 (2)
2016………	0	0	4,125,000	1,039,375	73,910,000	4,718,000	0	0 (2)
2017………	0	0	4,350,000	827,500	57,405,000	1,435,125	0	0 (2)
2018………	0	0	4,550,000	605,000	–	–	–	–
2019………	0	0	4,800,000	371,250	–	–	–	–
2020………	0	0	5,025,000	125,625	–	–	–	–
Totals………	$ 75,000,000	$14,133,109	$126,280,000	$35,620,250	$314,775,000	$123,165,775	$ 314,025,000	$ 69,945,938

Fiscal Year Ending June 30	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 1998A $265,000,000 Principal	Series 1998A Interest
2007………	$ 160,000	$13,362,856	$ 48,075,000	$ 4,926,438	$ 33,250,000	$ 5,627,250	$ 16,775,000	$ 2,243,125
2008………	120,000	13,358,656	50,575,000	2,460,188	34,650,000	4,099,500	17,750,000	1,380,000
2009………	29,455,000	12,583,663	5,525,000	1,057,688	36,125,000	2,507,063	18,725,000	468,125
2010………	50,835,000	10,481,778	5,750,000	775,813	37,650,000	847,125	0	0 (4)
2011………	53,670,000	7,710,706	6,000,000	482,063	0	0 (2)	0	0 (4)
2012………	56,705,000	4,744,378	6,325,000	166,031	0	0 (2)	0	0 (4)
2013………	59,915,000	1,610,216	0	0 (3)	0	0 (2)	0	0 (4)
2014………	–	–	0	0 (2)	0	0 (2)	–	–
2015………	–	–	0	0 (2)	0	0 (2)	–	–
2016………	–	–	0	0 (2)	–	–	–	–
2017………	–	–	–	–	–	–	–	–
2018………	–	–	–	–	–	–	–	–
2019………	–	–	–	–	–	–	–	–
2020………	–	–	–	–	–	–	–	–
Totals………	$250,860,000	$63,852,253	$122,250,000	$ 9,868,219	$141,675,000	$ 13,080,938	$ 53,250,000	$ 4,091,250

Fiscal Year Ending June 30	Series 1997F $205,000,000 Principal	Series 1997F Interest	Series 1997E $135,000,000 Principal	Series 1997E Interest		Totals (1) Total Principal	Totals (1) Total Interest	Totals (1) Total Debt Service
2007………	$ 16,475,000	$ 1,408,688	$ 9,925,000	$ 850,438 (5)	………	$ 140,220,000	$ 64,083,769	$ 204,303,769
2008………	17,375,000	477,813	10,500,000	288,750 (6)	………	150,660,000	58,512,091	209,172,091
2009………	0	0 (4)	0	0 (4)	………	167,700,000	52,665,063	220,365,063
2010………	0	0 (4)	0	0 (4)	………	175,490,000	44,712,178	220,202,178
2011………	0	0 (4)	0	0 (4)	………	184,945,000	36,031,094	220,976,094
2012………	0	0 (4)	0	0 (4)	………	164,590,000	27,478,559	192,068,559
2013………	0	0 (4)	0	0 (4)	………	137,610,000	19,952,641	157,562,641
2014………	–	–	–	–	………	88,250,000	14,298,900	102,548,900
2015………	–	–	–	–	………	88,760,000	9,927,250	98,687,250
2016………	–	–	–	–	………	78,035,000	5,757,375	83,792,375
2017………	–	–	–	–	………	61,755,000	2,262,625	64,017,625
2018………	–	–	–	–	………	4,550,000	605,000	5,155,000
2019………	–	–	–	–	………	4,800,000	371,250	5,171,250
2020………	–	–	–	–	………	5,025,000	125,625	5,150,625
Totals………	$ 33,850,000	$ 1,886,501	$ 20,425,000	$ 1,139,188	………	$1,452,390,000	$336,783,420	$1,789,173,420

(1) This table reflects the State's debt service schedule for its outstanding general obligation bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year.
(2) Principal and interest has been refunded by the 2004A General Obligation Bonds.
(3) There was no scheduled principal maturity in this Fiscal Year
(4) Principal and interest has been refunded by the 2002B General Obligation Bonds.
(5) $850,000 (of the original maturity of $10,775,000) has been refunded by the 2002B General Obligation Bonds.
(6) $850,000 (of the original maturity of $11,350,000) has been refunded by the 2002B General Obligation Bonds.

(Source: Financial Advisor.)

Historical Constitutional And Statutory Debt Limit Of The State

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 2002 through 2006 is as follows:

	Fiscal Year Ended June 30 (in thousands)				
	2006	2005	2004	2003	2002
Fair Market Value of Ad Valorem Taxable Property	$186,836,224	$173,003,833	$164,567,250	$159,659,350	$153,166,346
Fees in lieu of Ad Valorem Tax (1)	12,146,609	12,616,364	11,973,726	11,116,588	10,019,394
Fair Market Value for Debt Incurring Capacity	$198,982,833	$185,620,197	$176,540,976	$170,775,938	$163,185,740
Constitutional:					
Constitutional Debt Limit	$2,984,742	$2,784,303	$2,648,115	$2,561,639	$2,447,786
Outstanding Constitutional General Obligation Debt (Net) (2)	(1,436,845)	(1,587,804)	(1,588,810)	(1,713,755)	(1,498,371)
Additional Debt Incurring Capacity (*constitutional*)	$1,547,897	$1,196,499	$1,059,305	$ 847,884	$ 949,415
Statutory:					
Statutory General Obligation Debt Limit	$944,824	$880,463	$835,292	$830,137	$835,341
Outstanding General Obligation Debt (Net) (2) (3)	(558,866)	(630,711)	(607,999)	(693,706)	(497,921)
Additional General Obligation Debt Incurring Capacity (*statutory*)	$385,958	$249,752	$227,293	$136,431	$337,420

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

(2) 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.

(3) Certain general obligation highway indebtedness is exempt from the State Appropriations and Tax Limitation Act.

(Sources: Property Tax Division and the Financial Advisor.)

Debt Ratios Of The State

The following tables show the ratios of the principal par amounts of the State's general obligation debt (excludes any additional principal amounts attributable to unamortized original issue bond premium and deferred amount on refunding), to population, total personal income, taxable value and fair market/market value for the fiscal years shown and estimated as of July 10, 2007.

	Fiscal Year Ended June 30				
	2007	2006	2005	2004	2003
Outstanding General Obligation Debt (000's)	$1,237,170	$1,377,390	$1,514,510	$1,510,160	$1,623,680
Debt Ratios:					
Per Capita	$473	$525	$595	$612	$673
As % of Total Personal Income	1.67%	1.86%	2.23%	2.38%	2.73%
As % of Taxable Value	0.80%	1.04%	1.14%	1.23%	1.38%
As % of Fair Market/Market Value	0.57%	0.74%	0.81%	0.87%	0.99%

	Estimated As of July 10, 2007
Outstanding General Obligation Debt	$1,161,510,000
Debt Ratios:	
Per Capita	$444
As % of Total Personal Income	1.56%
As % of Taxable Value	0.75%
As % of Fair Market Value/Market Value	0.54%

(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)				
	2006	2005	2004	2003	2002
General Fund Expenditures	$4,333,467	$4,016,667	$3,775,296	$3,519,422	$3,412,413
Debt Service Expenditures (1)	$235,436	$273,679	$211,960	$189,020	$175,188
Ratio of Debt Service to General Fund Expenditures	5.43%	6.81%	5.61%	5.37%	5.13%
Total All Governmental Funds Expenditures	$8,118,742	$7,489,813	$7,074,833	$6,702,566	$6,597,787
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	2.90%	3.65%	3.00%	2.82%	2.66%

(1) During Fiscal Year 2005, debt service increased from the prior year due to a final debt payment of approximately $31.6 million (for 2002 Winter Olympic facilities).

(Sources: Division of Finance and the Fiscal Year Ended June 30, 2006 Comprehensive Annual Financial Report (the "2006 CAFR").)

Additional Historical Financial Information Of The State

The following tables, which have been prepared by the State's Division of Finance, are based on audited financial information and has not been otherwise independently audited. These financial summaries are not presented in a form that can be easily recognized or extracted from the State's audited basic financial statements.

Revenues by Source

All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (in thousands)				
	2006	2005	2004	2003	2002
Taxes:					
Individual income tax	$2,324,365	$1,946,593	$1,706,774	$1,587,520	$1,584,546
Sales and use tax	1,915,600	1,699,636	1,553,909	1,481,823	1,473,479
Corporate tax	379,624	209,304	165,893	161,129	124,561
Motor and special fuel tax	344,902	336,417	327,838	321,370	321,682
Other taxes	316,994	275,715	234,774	213,618	201,583
Total taxes	5,281,485	4,467,665	3,989,188	3,765,460	3,705,851
Other revenues:					
Federal contracts and grants	2,524,022	2,366,786	2,295,428	2,049,922	1,856,477
Charges for services	329,576	273,499	242,780	211,756	222,669
Miscellaneous and other	239,901	231,708	208,171	193,448	176,895
Federal mineral lease	156,851	82,704	67,216	47,307	30,527
Licenses, permits and fees	113,684	121,382	113,625	110,315	107,201
Investment income	85,580	45,017	25,943	29,418	31,240
Federal aeronautics	37,521	34,416	25,821	18,791	31,026
Intergovernmental	9,109	4,104	11,395	8,463	7,611
Total other revenues	3,496,244	3,159,616	2,990,379	2,669,420	2,463,646
Total revenues	$8,777,729	$7,627,281	$6,979,567	$6,434,880	$6,169,497

(1) Includes all governmental fund types, except Trust Lands.
(Sources: Division of Finance and the 2006 CAFR.)

Expenditures by Function

All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (in thousands)				
Function	2006	2005	2004	2003	2002
Public education	$2,322,871	$2,168,896	$2,038,053	$1,979,880	$1,998,450
Health and environmental quality	1,634,619	1,461,618	1,342,903	1,175,092	1,058,291
Transportation	975,565	832,285	811,088	756,634	848,617
Higher education (Colleges and Universities)	675,267	637,087	614,922	597,477	610,837
Human services/youth corrections	593,392	576,871	553,136	533,898	531,290
Employment and family services	413,380	417,037	394,926	363,116	321,154
General government	239,838	178,891	176,907	170,666	179,769
Debt service	235,436	273,679	211,960	189,020	175,188
Corrections/adult	205,310	198,030	188,951	179,115	185,471
Public safety	179,622	163,072	150,353	125,517	150,715
Capital outlay	170,748	139,488	173,869	205,861	112,569
Natural resources	140,592	123,195	121,461	134,247	121,072
Courts	114,111	107,807	102,302	98,784	107,255
Business, labor and agriculture	89,255	85,115	72,124	66,382	63,940
Community and culture	85,231	87,621	89,051	91,986	91,014
Higher education (State Adm.)	43,505	39,121	32,827	34,891	42,155
Total expenditures All Governmental Fund Types	$8,118,742	$7,489,813	$7,074,833	$6,702,566	$6,597,787

(1) Includes all governmental fund types, except Trust Lands.
(Sources: Division of Finance and the 2006 CAFR.)

Changes in All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (dollars in millions)				
	2006	2005	2004	2003	2002
Revenues	$8,778	$7,627	$6,980	$6,435	$6,169
% change over previous year	15.1%	9.3%	8.5%	4.3%	(0.7)%
Net other financing sources (2)	–	$170	$29	$319	$565
Expenditures (3)	$8,119	$7,490	$7,075	$6,703	$6,598
% change over previous year	8.4%	5.9%	5.5%	1.6%	5.8%

(1) Includes all governmental fund types, except Trust Lands.
(2) Includes bond proceeds, net of any refunding issues, plus financing provided from capital leasing.
(3) Funding for expenditures is provided from revenues, beginning balances, bond proceeds, and capital leases issued. Beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2006 CAFR.)

Fund Balances (1)

Fund Balances—All Governmental Fund Types (1)

	June 30 (in thousands)				
Fund	2006	2005	2004	2003	2002
General (2)	$ 869,136	$ 653,979	$ 485,953	$ 386,996	$ 368,025
Special Revenue:					
Uniform School	942,389	406,494	313,886	243,917	182,219
Transportation	209,885	206,049	226,081	214,879	130,920
Transportation Investment (3)	144,162	184,450	217,451	320,234	305,357
Rural Development	25,012	19,922	15,094	12,318	11,357
Tobacco Endowment	24,671	18,109	17,759	12,177	41,531
Environmental Reclamation	24,135	25,921	23,762	23,291	24,058
Crime Victim Reparation	9,690	9,623	10,653	13,526	16,558
Miscellaneous Special Rev.	8,343	8,074	7,603	6,489	6,847
Universal Telephone	7,119	5,076	3,804	4,787	8,895
Consumer Education	3,245	3,324	3,564	3,133	2,967
State Capitol	125	51	–	37	21
Sports Authority (4)	–	–	–	–	689
Capital Projects	133,630	226,666	122,343	248,021	305,386
Debt Service	20,722	12,636	12,842	16,004	22,882
Total	$2,422,264	$1,780,374	$1,460,795	$1,505,809	$1,427,712

(1) Includes all governmental fund types, except Trust Lands.
(2) Includes restricted and unrestricted fund balances.
(3) Effective Fiscal Year 2006, the Legislature created the Transportation Investment Fund and designated that projects, previously reported as part of the Centennial Highway Fund, be reported within this new fund.
(4) The Sports Authority Fund was closed in Fiscal Year 2003.

(Sources: Division of Finance and the 2006 CAFR.)

General Fund

Revenues, Expenditures and Fund Balances

	Fiscal Year Ended June 30 (in thousands)				
	2006	2005	2004	2003	2002
Revenues:					
Federal contracts and grants	$1,859,583	$1,776,555	$1,741,580	$1,524,832	$1,341,072
Sales and use tax	1,820,992	1,664,352	1,521,076	1,447,281	1,437,339
Other taxes	271,178	234,710	200,167	187,397	172,307
Charges for services	256,025	238,181	204,874	182,090	192,190
Miscellaneous and other	164,890	148,015	143,033	124,422	114,449
Federal mineral lease	156,851	82,704	67,216	46,335	29,367
Investment income	47,027	16,483	6,897	8,258	15,333
Licenses, permits and fees	18,725	17,866	18,029	17,745	17,721
Total revenues	$4,595,271	$4,178,866	$3,902,872	$3,538,360	$3,319,778
% change over previous year	10.0%	7.1%	10.3%	6.6%	3.2%
Expenditures	$4,333,467	$4,016,667	$3,775,296	$3,519,422	$3,412,413
% change over previous year	7.9%	6.4%	7.3%	3.1%	10.5%
Fund Balance: (1)					
Unreserved, designated	$483,510	$366,992	$255,531	$156,016	$146,551
Reserved	300,497	262,360	214,063	230,980	221,474
Unreserved, undesignated	85,129	24,627	16,359	–	–
Total fund balance	$869,136	$653,979	$485,953	$386,996	$368,025

(1) 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 2006 CAFR.)

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APPENDIX C

DEMOGRAPHIC AND ECONOMIC INFORMATION
REGARDING THE STATE OF UTAH

General Information

This appendix has been summarized from information which is contained in the *Economic Report to the Governor* (the "2007 ERG") and on data from Calendar Year 2006. *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 2007 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 2007 ERG has been generated by members of the State Council of Economic Advisors. A complete copy of the 2007 ERG may be obtained on the internet or by contacting GOPB, 801.538.1027, fax 801.538.1547, dea@utah.gov.

Topographical Information

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 13th among the states in total area, the State contains approximately 84,900 square miles. It ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. As of April 2001, land ownership in the State was distributed as 63.9% federal, 10.1% State, and 26% other (American Indian reservation, municipal, state sovereign lands, and private).

Demographics

On July 1, 2006, the State's population was an estimated 2,615,129, an increase of 67,740 persons over 2005. This represents the second–highest single year population increase in the State's history. While the 13,358 deaths is a record high for the State, the State added more persons due to natural increase in 2006 than any previous year in its history as a result of a record 52,368 births.

According to the U.S. Census Bureau's July 1, 2006 population estimates, the State's population increased 2.4% from 2005 to 2006, ranking the State 6th among states in population growth. The State also continues to have a distinctive demographic profile. The State's population is younger, women tend to have more children, people on average live in larger households, and people tend to survive to older ages.

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State Population

Year	Population	% Change From Prior Period
2006 Estimate (1)	2,615,129	17.1%
2000 Census	2,233,169	29.6
1990 Census	1,722,850	17.9
1980 Census	1,461,037	37.9
1970 Census	1,059,273	18.9
1960 Census	890,627	29.3
1950 Census	688,862	25.2
1940 Census	550,310	8.4

(1) Utah Population Estimates Committee, July 1, 2006.

(Source: 2007 ERG and the Utah Population Estimates Committee.)

Components of Population Change in the State

Fiscal Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2006	52,368	13,358	39,010	28,730	67,740
2005	50,431	12,919	37,512	40,647	78,159
2004	50,527	13,282	37,245	18,367	55,612
2003	49,518	12,798	36,720	18,568	55,288
2002	48,041	12,662	35,379	17,299	52,678
2001	47,688	12,437	35,251	23,848	59,099
2000	46,880	11,953	34,927	18,612	53,539
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

(Source: 2007 ERG and the Utah Population Estimates Committee.)

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Significant Characteristics of the State's Population

Category	Ranking (1)	Comments
Population growth (2005 to 2006)	6th (2.4% growth rate)	out of 50 states
State population (July 1, 2005)	34th	out of 50 states
Pre–school age (under five years old)	1st	9.5%
School age (five to 17)	2nd	20.5%
Working age (18 to 64)	48th	61.2%
Retirement age (over age 65)	49th	8.7%
Median age (2005)	1st	28.5 years
Dependency ratio (July 1, 2005)	3rd	63.4 per 100 of working age
Fertility rate (2005)	1st	2.50 births/woman
Death rate (2004)	50th	5.6 deaths/1,000 population]
Life expectancy (2000)	3rd	78.6 years
Urban status	9th	88.3% urban
Household size (2005)	1st	3.07 persons

(1) Rankings are from least favorable to most favorable, highest to lowest. Rankings are based on the most current national data available for all states.

(Source: 2007 ERG.)

Employment, Wages And Labor Force

The 2006 State economy was a continuation of the growing economic environment that began in late 2003. The State's employment grew an estimated 5.2% in 2006, the highest rate since 1995, and the second year in a row above State's long–term average of 3.3%. The job growth of 5.2% was also one of the highest state employment growth rates in the nation, and nearly four times the national rate.

The strong growth in 2006 should continue into 2007, with momentum and construction activity as the catalyst. The State should continue as one of the best performing states in the nation. It is anticipated that 2006 will be the high point of the current economic expansion, as growth for 2007 is estimated to slow slightly to 4.7%. Though below 2006, this anticipated growth is still extremely robust.

The rationale for a lower 2007 estimate of employment growth is the fall of unemployment rate to below 3%. It is difficult for the economy to continue to grow at an accelerated rate when employment within the labor force has reached its historical high. Past performance shows that the State's employment growth has slowed when the unemployment rate dropped into the low 3% range.

The factor that could change growth in employment is in–migration, the flow of workers to the State from outside its borders. In–migration can be either through domestic migration from other states or through international migration from other countries. International migration has been a forceful but silent part of the State's labor force growth in recent years, as it is difficult to quantify. If the State's economic growth continues to accelerate in 2007, it would be a result of strong international in-migration fueling labor force growth.

Current Unemployment Rates (seasonally adjusted)

Current Unemployment Rate	State	U.S.
March 2007	2.4%	4.4%
March 2006	3.1%	4.7%

(Source: Utah Department of Workforce Services, Workforce Information, Bureau and Labor Statistics.)

Average Annual Employment and Unemployment Rate for Utah and the U.S.

	Utah		Unemployment Rate		Utah Unemployment Rate as % of U.S. Rate
Year	Civilian Labor Force	Total Employed	Utah	U.S.	
2007 (f)	1,372,900	1,324,750	3.5%	4.8%	72.9%
2006 (e)	1,322,600	1,278,900	3.3	4.6	71.7
2005	1,268,075	1,214,150	4.3	5.1	84.3
2004	1,203,459	1,140,498	5.2	5.5	94.5
2003	1,188,279	1,121,088	5.7	6.0	95.0
2002	1,174,582	1,107,379	5.7	5.8	98.3
2001	1,153,387	1,103,028	4.4	4.8	91.7
2000	1,133,870	1,095,657	3.4	4.0	85.0
1999	1,120,591	1,080,441	3.6	4.2	85.7
1998	1,101,972	1,061,282	3.7	4.5	82.2
1997	1,068,279	1,034,429	3.1	4.9	63.3

(f) forecast; (e) estimate.

(Source: 2007 ERG.)

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Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

Selected Years

	2007 (f)	2006 (e)	2005	2004	2003	% Change 06–07	% Change 05–06	% Change 04–05	% Change 03–04
Civilian labor force	1,372,900	1,322,600	1,268,075	1,203,459	1,188,279	3.8	4.3	5.4	1.3
Employed	1,324,750	1,278,900	1,214,150	1,140,498	1,121,088	3.6	5.3	6.5	1.7
Unemployed	48,150	43,700	53,925	62,961	67,191	10.2	(19.0)	(14.4)	(6.3)
Unemployment rate	3.5%	3.3%	4.3%	5.2%	5.7%	–	–	–	–
Total nonfarm jobs	1,264,350	1,208,100	1,148,315	1,104,328	1,074,131	4.7	5.2	4.0	2.8
Natural resources and mining	11,400	10,000	8,472	7,083	6,670	14.0	18.0	19.6	6.2
Construction	107,700	96,500	81,685	72,631	67,599	11.6	18.1	12.5	7.4
Manufacturing	126,300	122,800	117,242	114,765	112,291	2.9	4.7	2.2	2.2
Trade, transportation, utilities	243,800	234,800	225,938	219,212	213,970	3.8	3.9	3.1	2.4
Information	34,600	33,100	32,105	30,272	30,013	4.5	3.1	6.1	0.9
Financial activity	75,200	71,700	67,583	65,040	64,674	4.9	6.1	3.9	0.6
Professional and business services	168,900	157,300	146,704	138,220	131,910	7.4	7.2	6.1	4.8
Education and health services	139,900	134,200	128,605	123,282	118,379	4.2	4.4	4.3	4.1
Leisure and hospitality	112,300	108,300	104,223	102,031	99,634	3.7	3.9	2.1	2.4
Other services	36,050	34,500	33,451	32,915	32,451	4.5	3.1	1.6	1.4
Government	208,200	204,900	202,307	198,877	196,537	1.6	1.3	1.7	1.2
Goods–producing	245,400	229,300	207,399	194,479	186,560	7.0	10.6	6.6	4.2
Service–producing	1,018,950	978,800	940,916	909,849	887,571	4.1	4.0	3.4	2.5
% Service–producing	80.6%	81.0%	81.9%	82.4%	82.6%	–	–	–	–
U.S. nonagricultural job growth	0.2%	1.3%	1.5%	1.1%	(0.3)%	–	–	–	–
Total nonagricultural wages (millions)	$45,565	$41,800	$37,696	$35,005	$32,887	9.0	10.9	7.7	6.4
Average annual wage	$36,038	$34,600	$32,827	$31,698	$30,617	4.2	5.4	3.6	3.5
Average monthly wage	$3,003	$2,883	$2,736	$2,642	$2,551	4.2	5.4	3.6	3.6
Establishments (first quarter)	85,900	83,061	77,423	72,513	69,172	–	–	–	–

(f) forecast; (e) estimate.

(Source: 2007 ERG.)

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
Intermountain Health Care	Hospitals and clinics	20,000+
State of Utah	State government	20,000+
Brigham Young University	Higher education	15,000–20,000
University of Utah (Including Hospital)	Higher education	15,000–20,000
Hill Air Force Base	Military installation	10,000–15,000
Wal–Mart Stores	Department store	10,000–15,000
Granite School District	Public education	7,000–10,000
Jordan School District.	Public education	7,000–10,000
Alpine School District	Public education	5,000–7,000
A Plus Benefits, Inc.	Temporary employment	5,000–7,000
Convergys	Telemarketing	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
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 Thiokol	Aerospace equipment manufacturing	4,000–5,000
Autoliv Asp (Morton International)	Mfg. vehicle parts	4,000–5,000
Discover Card	Consumer loans	4,000–5,000
Delta Airlines Inc.	Air transportation	3,000–4,000
Salt Lake City	Local government	3,000–4,000
Salt Lake City School District	Public education	3,000–4,000
SOS Temporary Services	Temporary employment	3,000–4,000
Weber County School District	Public education	3,000–4,000
Wells Fargo Bank N.A.	Banking	3,000–4,000
Zions First National Bank	Banking	3,000–4,000
ACS Business Process Solutions	Data processing	2,000–3,000
Employer Solution Group, Inc.	Leasing company	2,000–3,000
Home Depot	Building supply store	2,000–3,000
Icon Health and Fitness Inc.	Exercise equipment manufacturing	2,000–3,000
Kelly Services, Inc.	Temporary employment	2,000–3,000
L3 Communications	Computer equipment manufacturing	2,000–3,000
Nebo School District	Public education	2,000–3,000
Rocky Mountain 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
Resource Management	Leasing company	2,000–3,000
Salt Lake Community College	Higher education	2,000–3,000
Skywest Airlines	Air transportation	2,000–3,000
Teleperformance USA	Telemarketing	2,000–3,000
United Parcel Service	Courier service	2,000–3,000
Utah Valley State College	Higher education	2,000–3,000
Washington County School District	Public education	2,000–3,000
Weber State University	Higher education	2,000–3,000

(1) As of 2005. Includes those firms with 2,000 to 3,000 and more employees. The Church of Jesus Christ of Latter–day Saints remains one of the State’s largest employers; however, the Church does not disclose employment numbers.

(Source: 2007 ERG.)

Personal Income

The State's estimated 2006 total personal income was $74.2 billion, 9.1% above the 2005 revised estimate of $68 billion. Personal income growth in the State was significantly higher than the U.S. personal income growth of 6.3%. The State's 2006 per capita personal income was estimated to be $29,108, an increase of 6.5% over the 2005 estimate. According to the most recent available income estimates available from the U.S. Bureau of Economic Analysis, the State's 2005 per capita income of $27,321 ranked 48th in the nation, including the District of Columbia.

Total Personal Income (in millions)

	Utah		United States	
Year	Amount	% Change	Amount	% Change
2006 (p)	$74,229	9.1%	$10,860,917	6.3%
2005 (r)	68,039	7.2	10,220,942	5.2
2004 (r)	63,478	6.8	9,716,351	6.2
2003 (r)	59,412	2.1	9,150,320	3.1
2002	58,172	2.8	8,872,871	1.8
2001	56,594	5.7	8,716,992	3.5
2000	53,561	8.5	8,422,074	8.0
1999	49,343	4.9	7,796,137	5.1
1998	47,019	7.7	7,415,709	7.4
1997	43,667	8.1	6,907,332	6.1
1996	40,386	8.5	6,512,485	6.0
1990	25,818	8.1	4,861,936	6.4
1985	19,794	6.7	3,511,344	7.2
1980	12,519	13.5	2,298,255	11.9

(p) preliminary; (r) revised.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA").)

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Components of the State's Total Personal Income

	(in millions)					% change 2005–06	% change 2004–05	% change 2003–04
	2006 (p)	2005 (r)	2004 (r)	2003 (r)	2002 (r)			
Total Personal income	$74,229	$68,039	$63,478	$59,412	$58,172	9.1	7.2	6.8
Earnings by place of work	63,029	57,047	52,681	48,676	47,534	10.5	8.3	8.2
less: Personal contributions for social insurance	7,170	6,394	5,837	5,394	5,172	12.1	9.5	8.2
plus: Adjustment for residence	25	35	29	19	13	(28.6)	20.7	52.6
equals: Net earnings by place of residence	55,884	50,688	46,873	43,301	42,374	10.3	8.1	8.2
plus: Dividends, interest, and rent	10,086	9,584	9,422	9,251	9,302	5.2	1.7	1.8
plus: Transfer payments	8,259	7,766	7,182	6,860	6,495	6.3	8.1	4.7
Components of earnings	63,029	57,047	52,681	48,676	47,534	10.5	8.3	8.2
Wage and salary disbursements	44,586	40,149	37,320	35,105	34,356	11.1	7.6	6.3
Supplements to wages and salaries	11,298	10,232	9,293	8,494	7,922	10.4	10.1	9.4
Proprietors' income	7,145	6,666	6,068	5,078	5,256	7.2	9.9	19.5
Agricultural proprietors' income	100	75	159	86	44	33.3	(52.8)	84.9
Nonagricultural proprietors' income	7,044	6,591	5,909	4,992	5,212	6.9	11.5	18.4
Earnings by industry	63,029	57,047	52,681	48,676	47,534	10.5	8.3	8.2
Agricultural earnings	274	245	293	209	181	11.8	(16.4)	40.2
Nonagricultural earnings	62,755	56,802	52,388	48,467	47,353	10.5	8.4	8.1
Private earnings	51,480	46,019	42,200	38,893	38,325	11.9	9.0	8.5
Natural resouces and mining	1,142	920	712	591	579	24.1	29.2	20.5
Construction	5,743	4,636	3,982	3,510	3,580	23.9	16.4	13.4
Manufacturing	7,498	6,860	6,457	6,017	5,718	9.3	6.2	7.3
Durable goods manufacturing	5,039	4,580	4,295	4,130	3,889	10.0	6.6	4.0
Nondurable goods manufacturing	2,459	2,280	2,162	1,887	1,829	7.9	5.5	14.6
Trade, transportation, utilities	10,480	9,620	9,009	8,376	8,319	8.9	6.8	7.6
Wholesale trade	2,821	2,562	2,344	2,164	2,120	10.1	9.3	8.3
Retail trade	4,701	4,265	4,028	3,745	3,640	10.2	5.9	7.6
Information	1,948	1,860	1,643	1,546	1,548	4.7	13.2	6.3
Financial activities	4,842	4,534	4,177	3,928	3,774	6.8	8.5	6.3
Professional and business services	9,132	8,083	7,320	6,608	6,707	13.0	10.4	10.8
Educational and health services	5,977	5,258	4,833	4,420	4,224	13.7	8.8	9.3
Leisure and hospitality	2,168	1,941	1,825	1,740	1,818	11.7	6.4	4.9
Other services	2,550	2,306	2,242	2,156	2,058	10.6	2.9	4.0
Government and government enterprises	11,275	10,783	10,188	9,574	9,028	4.6	5.8	6.4
Federal, civilian	2,974	2,825	2,658	2,492	2,424	5.3	6.3	6.7
Military	926	932	833	786	631	(0.6)	11.9	6.0
State	–	2,935	2,809	2,592	2,501	–	4.5	8.4
Local	–	4,091	3,887	3,705	3,473	–	5.2	4.9

(r) revised; (p) preliminary

(Source: BEA.)

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.
2006 (p)	$29,108	$36,276	6.5%	5.2%	80.2%
2005 (r)	27,321	34,471	4.2	4.2	79.3
2004 (r)	26,214	33,090	3.9	5.2	79.2
2003 (r)	25,220	31,466	0.8	2.2	80.2
2002 (r)	25,010	30,795	1.1	0.8	81.2
2001 (r)	24,731	30,562	3.6	2.4	80.9
2000	23,874	29,843	6.6	6.8	80.0
1999	22,393	27,939	3.2	3.9	80.1
1998	21,708	26,883	5.4	6.1	80.7
1997	20,600	25,334	5.5	4.8	81.3
1996	19,529	24,175	5.7	4.8	80.8
1990	14,913	19,477	6.5	5.2	76.6
1985	12,048	14,758	5.4	6.2	81.6
1980	8,501	10,114	9.1	10.6	84.1

(p) preliminary; (r) revised.

(Sources: BEA.)

Gross Domestic Product

Gross Domestic Product ("GDP") is the value of final goods and services produced by the labor and property located in a geographic area. GDP is gross output less intermediate inputs, and as such it measures the economic activity within an area.

Total Gross Domestic Product
(in millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2005	$90,778	10.0%	$12,409,555	6.5%
2004	82,546	8.4	11,655,335	7.0
2003	76,180	4.8	10,896,356	4.8
2002	72,665	3.6	10,398,402	3.4
2001	70,109	3.8	10,058,168	3.2
2000	67,568	5.8	9,749,103	6.0
1999	63,834	6.1	9,201,138	6.0
1998	60,168	6.3	8,679,657	5.4
1997	56,590	–	8,237,994	–

(Source: BEA.)

Gross Taxable Sales

Taxable sales are made up of three major components: retail trade, business investments and utility taxable sales, and taxable services. In 2006, taxable sales in the State increased by 11.7% to an estimated $43.8 billion. This growth rate continues at the pace set in 2004 and 2005. All three economic sectors contributed to the robust economic growth experienced in 2006.

Retail trade taxable sales were an estimated $24.6 billion in 2006, representing 56.2% of taxable sales. This represents an 11.1% increase over 2005, which is the fastest rate of growth since 1993. Retail trade is projected to grow 7.5% in 2007. Business investment and utility taxable sales were an estimated $11.9 billion in 2006, representing 27.2% of taxable sales. This yields an increase of 12.6% over 2005. This sector is expected to grow 2.9% in 2007. Taxable services were estimated at $5.6 billion for 2006, representing 12.7% of taxable sales. This represents an 8.3% growth in 2006. Taxable services related sales are expected to increase by 4.7% in 2007.

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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
2007 (f)….	$26,467	7.5 %	$12,262	2.9 %	$5,821	4.7 %	$ 1,857	7.5 %	$ 46,407	5.9 %
2006 (e)….	24,614	11.1	11,915	12.6	5,562	8.3	1,727	25.9	43,818	11.7
2005……..	22,155	8.9	10,579	16.0	5,135	13.3	1,372	5.1	39,241	11.1
2004……..	20,351	8.2	9,121	15.3	4,534	3.1	1,305	(9.8)	35,311	8.4
2003……..	18,808	2.5	7,909	(1.6)	4,396	(4.7)	1,447	(3.7)	32,560	0.1
2002 …….	18,356	3.4	8,039	(6.4)	4,615	(2.0)	1,502	8.8	32,512	0.3
2001 …….	17,748	2.7	8,588	2.6	4,709	(0.8)	1,381	10.5	32,426	2.5
2000……..	17,278	4.8	8,372	6.8	4,746	9.1	1,250	(5.0)	31,645	5.5
1999……..	16,493	5.3	7,839	1.4	4,351	5.5	1,316	15.7	29,999	4.7
1998……..	15,657	5.3	7,729	9.7	4,122	10.7	1,137	(4.2)	28,646	6.8

(f) forecast; (e) estimate.

(Source: 2007 ERG.)

Construction And Housing

The value of new permit authorized construction reached an all–time high of $7.6 billion in 2006, an increase of 15% over $6.6 billion in 2005. Residential construction led the way with a record $5.1 billion in new construction activity. The number of new dwelling units receiving building permits totaled 27,000, which includes new homes, apartments, condominiums, manufactured units, and cabins. In 2006, the number of residential units receiving permits declined by 4.5% from the record setting year of 2005 when 28,285 new dwelling units received building permits. Single–family homes continue to dominate new residential construction as low mortgage rates and high rates of net in–migration and employment drove demand for new single–family homes to the second highest level ever—20,500 units.

Permit–authorized nonresidential construction experienced a very strong year with a 30% increase in value of new construction. In 2006, nonresidential construction reached $1.6 billion compared to $1.2 billion in 2005. Nonresidential construction activity is increasing in response to employment expansion and population growth. In 2006 the nonresidential sector began to benefit from a number of very large nonresidential projects proposed over the next few years, most notably the $1.5 billion investment by The Church of Jesus Christ of Latter–day Saints in Salt Lake City's Central Business District.

Permit–Authorized Construction

		Construction Value (millions of dollars)			
Year	Total Units	Residential	Nonresidential	Renovations	Total Valuation
2006 (e)	27,000	$5,100.0	$1,600.0	$900.0	$7,600.0
2005	28,285	4,662.6	1,217.8	707.6	6,558.0
2004	24,293	3,552.6	1,089.9	476.0	5,118.5
2003	22,836	3,046.4	1,017.4	497.0	4,560.8
2002	19,941	2,491.9	897.0	393.0	3,782.0
2001	19,675	2,352.7	970.0	562.8	3,885.4
2000	18,154	2,140.1	1,123.0	583.3	3,936.0
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

(e) estimate.

(Source: 2007 ERG and the GOPB.)

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APPENDIX D

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 2007A 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 2007A 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 63B–1–303 thereof, as amended from time to time.

"*Act*" shall mean the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3 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–General" 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, as principal, and the Division of Facilities Construction and Management of the Department of Administrative Services of the State, as the Lessor's 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.

"*Base Rental Payment Date*" shall mean the first day of each May and November during the term of the Lease, 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 previously issued under the Indenture, the 2007A Bonds and any Additional Bonds authenticated and delivered from time to time under the Indenture.

"*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 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 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.

"*Bond Principal Payment Dates*" shall mean May 15 of each year.

"*Bondowner*" or "*Owner of the Bonds*," or any similar term, shall mean the Person in whose name a Bond is registered in the register kept for the registration, exchange and transfer of Bonds.

"*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 63B–1–303 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.

"*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 Utah State Legislature (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 of Utah (the "Governor") 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 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 2007A 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;

(c) Amounts to be transferred pursuant to the Indenture to, or held by the Trustee in, the rebate fund established under any Tax Certificate; and

(d) Additional Facilities in which the Trustee has not been given a lien or security interest as provided in the relevant Supplemental Indenture.

"*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.

"*Fiscal Year*" shall mean the 12–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.

"*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.

"*Interests Secured by the Indenture*" shall mean the principal of and interest and premium, if any, on the 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 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, Title 51, Chapter 7 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 State Building Ownership Authority, a body politic and corporate of the State, 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, 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.

"*Lessor*" shall mean the State Building Ownership Authority, a body politic and corporate of the State, or any successor to the powers, duties or functions of the Lessor.

"*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 63B–1–303 of the Act as such Section may be amended from time to time), relating to a mortgage lien, if any, to be imposed on the respective Facilities or Additional Facilities in accordance with the relevant Supplemental Indenture 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 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.

"*Optional Payment Date*" shall mean any business day (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.

"*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.

"*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 Lessor and the Lessee.

"*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 (1) 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 (2) 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; (i) any encumbrance represented by a notice of agreement filed or recorded to evidence an obligation of the Lessee entered into for the purpose of financing energy conservation or energy management equipment; and (j) any easements, liens, security interests and other encumbrances as are included in the definition of "Permitted Encumbrances" as provided in a Supplemental Lease.

"*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 any 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 any 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 Project Contracts 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 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 the 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 Bonds, including, but not limited to, interest accruing on the 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 or will be 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.

"*Projects*" shall mean, the undertaking by the Issuer, of the direction of the Lessee, of the Acquisition and Construction of any Facilities as authorized by the Act and 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.

"*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 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 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 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, established pursuant to Section 63A–4–201 of the Utah Code.

"*Series*" shall mean all of the 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 Bodies*" shall mean "state bodies" as such term is defined in the Act, including Section 63B–1–303 thereof, as amended from time to time.

"*State–Owned Site*" 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.

"*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 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, N.A., of Salt Lake City, Utah (as successor in interest to First Security Bank of Utah, N.A.), 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 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

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 and the Lease. All Additional Bonds shall be secured by the lien of the Indenture and the Mortgages and rank *pari passu* with the 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:

(a) 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;

(b) a date–down endorsement to each ALTA mortgage title insurance policy, and if required by the Lessee, an ALTA leasehold policy which complies with Section 212(d)(vi) of the Indenture or a new ALTA mortgagee title insurance policy with comprehensive endorsement, which endorsement or new policy shall insure to the date of issuance of such Series of Additional Bonds and the recording of the Mortgage, if any, relating to such Additional Bonds the continuing validity of the lien thereof, as a first and prior lien on the premises thereby secured, subject only to Permitted Encumbrances, and which endorsement shall establish the amount of title insurance coverage thereunder as an amount equal to the principal amount of the Additional Bonds used to finance a particular Project plus the principal amount of any such Bonds (other than such Series of Additional Bonds) outstanding as of the date of issuance of such endorsement, and insuring that the title to the Additional Facilities to be financed with the proceeds of the sale of such Series of Additional Bonds is vested in the Issuer, title to the leasehold estate under the Lease is vested in the Lessee and, if such is the case, title to the leasehold estate under any Site Lease executed in connection with such Series of Additional Bonds is vested in the Issuer, subject to any Permitted Encumbrances, and naming the Trustee as an insured; *provided*, *however*, in the event that the property upon which Additional Projects are to be located has not been acquired at or prior to the time of issuance of the Additional Bonds, the Supplemental Lease or Supplemental Indenture relating to such Additional Bonds shall require that such endorsement or additional title policy with respect to such property be delivered at the time of or prior to any disbursements being made from the Project Fund with respect to such portion of the Project; 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.

Notwithstanding any other provisions of the Indenture to the contrary, the Issuer 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 delivering a copy of the Mortgage to the Trustee, if the Issuer submits to the Trustee a certificate stating and demonstrating that (a) the Additional Facilities or portions thereof to be finance or refinanced are of such a nature that would make an additional Mortgage or 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 the Mortgage is sufficient to secure all Outstanding Bonds and the Additional Bonds to be issued.

Notwithstanding any other provisions of the Indenture to the contrary, the Issuer may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without providing title insurance therefore, if the Issuer 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.

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 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 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 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 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 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;

(a) the Capitalized Interest Fund, which includes certain Capitalized Interest Accounts;

(c) the Project Fund which includes separate accounts for each Project;

(d) the Redemption Fund; and

(e) the Insurance Fund.

Payments into and Use of Moneys in Bond 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 applicable Supplemental 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 solely for the payment of the principal of and interest on the Bonds, including mandatory sinking fund redemption payments.

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 no Event of Nonappropriation of Event of Default has occurred and is continuing and the Lessee's right (as agent of the Issuer under the Agency Agreement) or other agent 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 any of the 2007A Projects are 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 applicable Project Account and may either complete such 2007A 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 2007A 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.

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 Bonds in accordance with the Indenture and 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 2007A 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.

Subject to compliance with the terms and provisions of any Tax Certificate, any moneys held as part of the Bond Fund, the Redemption Fund and the Capitalized Interest Fund, unless otherwise provided in a Supplemental Indenture, 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 Bonds as such become due and payable or, with respect to moneys held as part of the Bond Fund, invested in (a) a money market mutual fund that invests only in Government Obligations or (b) the Utah State Treasurer's Investment Pool established pursuant to Title 51, Chapter 7 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 under the Indenture, 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 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 Bonds all principal of, and premium, if any, and interest on, the 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 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 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 Bonds (or such portion thereof) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) 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 Bonds or cause the Lease or any of the 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 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 Indenture 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 from the terms of the Lease and the lien of the Indenture upon compliance with the terms and conditions of the Lease. The Trustee shall release from the lien of the Indenture any such portions of the sites upon compliance with the provisions of the Lease.

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 upon compliance with the provisions of 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;

(b) Default in the payment of any interest on any Bond when the same shall become due and payable;

(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 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 Bonds then Outstanding shall, declare the principal amount of the 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 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 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 and surrender 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 provided in the Indenture 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 Title 78, Chapter 37 of the Utah Code, recover from the Lessee:

(1) 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

(2) 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 and surrenders 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 (2);

(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 of the Indenture 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.

A judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Default under the Indenture 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 or surrender the Leased Property by the expiration of 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 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 in the Indenture, 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 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 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 in the Indenture to the contrary, no deficiency judgment upon foreclosure or exercise of other remedies as provided in the Indenture 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 Bonds, and shall do so upon the written request of the Owners of (a) more than 50% in aggregate principal amount of all Bonds the Outstanding in respect of which a default exists in the payment of principal and/or premium, if any and/or interest, or (b) 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 Bonds. Except in the case of a failure of the Trustee to accelerate payment of principal of the 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 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 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 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 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 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 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 Bonds and the Issuer; provided that no such waiver or supplemental indenture shall (1) 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, (2) permit the creation of any lien with respect to any of the Trust Estate, without the consent of the Owners of all the Bonds at the time Outstanding, (3) 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, (4) 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 Bonds at the time Outstanding or (5) modify the rights, duties or immunities of the Trustee without the consent of the Trustee and the Owners of all of the 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 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 Bonds at the time Outstanding.

THE LEASE

Term Of The Lease

Commencement of the Term of the Lease. The initial term of the Lease 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 (which the Lessee has done since 1995 and through June 30, 2008), with a final renewal term commencing July 1, 2027, and ending May 16, 2028. 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 by the Trustee as provided in the Lease; (d) discharge of the Indenture as therein provided; or (e) May 16, 2028, which date constitutes the day following the last Bond Principal 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 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, except that all obligations of the Lessee to pay any amounts to the Owners and the Trustee under the Indenture shall thereafter be satisfied only 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 or in a Supplemental 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) the 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 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 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 (1) on any of the foregoing items as a result of the Lessee's failure to pay any such items when due or (2) 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 2007A BONDS—Redemption Provisions For The 2007A Bonds" in the body of the OFFICIAL STATEMENT to which this APPENDIX D 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. A 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 (1) to the Amortization Payments for the Facilities or (2) 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 (a) 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 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, (b) to submit a copy of such request or requests for appropriation to the Utah Legislative Fiscal Analyst and (c) 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 in the Lease 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 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 63–1–308 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. Subject to the provisions of the Lease, 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 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) surrender, 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.

Subject to the provisions of the Lease, should the Lessee fail to pay any portion of the required Rentals and then fail immediately to surrender, quit and vacate the Leased Property, the Trustee in accordance with the Indenture or any Mortgage may immediately bring legal action to recover the Leased Property from the Lessee or 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 surrender, quit and vacate the Leased Property upon termination of the then current Renewal Term of the Lease in violation of the terms thereof and Section 63B–1–308 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 under the Lease 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 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 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. Subject to the provisions of the Lease, in the event that sufficient funds (a) 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 (b) 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 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 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 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 Bonds until the principal of, and premium (if any) and interest on, the 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 surrendering and vacating the Leased Property and shall surrender and 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 surrendering and vacating the Leased Property, which timetable shall provide that the Lessee shall completely surrender and 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:

(a) 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;

(b) 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, Title 63, Chapter 30D 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

(c) 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 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 Bonds shall remain the sole property of the Lessee in which neither the Lessor, the Owners of the 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, seizure 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, seizure 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, (a) 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 (b) 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 police power or the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (c) a material defect in Construction of any of the Facilities shall become apparent; or (d) 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, except as otherwise provided in the Lease or as may be required by a Tax Certificate. 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:

(a) 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 Bonds, nor shall it be entitled to any diminution of the Base Rentals or Additional Rentals; or

(b) 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 Bonds, as appropriate, in accordance with the Indenture; or

(c) 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 (a) to or for the benefit of any State Bodies with respect to any of the Facilities, (b) to or for the benefit of any political subdivision or other governmental entity of the State and (c) 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 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 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 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 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 State law or to cause interest on the 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 Bonds, (c) whenever the amendment shall not prejudice in any material respect the rights of the Owners of the 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 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 (a) the Option Price applicable on such Optional Payment Date as indicated on the Option Price Schedule, plus interest on the Bonds to the Optional Payment Date, premium on the Bonds applicable on such Optional Payment Date, if any, and fees and expenses that must be paid to retire the then Outstanding Bonds, (b) all costs of transferring title to the Leased Property to the Lessee and (c) 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 (a) 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 Bonds allocable to such Facilities to the Optional Payment Date, premium (if any) on the 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, (b) 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 (c) 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 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) Subject to the provisions of the Lease, failure by the Lessee to surrender and vacate the Leased Property by the expiration of 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 clauses (a), (b) or (c) above, 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 (1) made by the Lessee or by the Lessor pursuant to the Lease or (2) 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: (a) 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 (b) 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. Subject to the provisions of the Lease, 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 surrender and 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, (a) 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; (b) 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 (c) 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 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 Bonds, and the obligations of the Trustee with respect to the Owners of the 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 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 Bonds), and no remedy or other provision in the Lease 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.

Limitation of Remedies Relating to Certain Leased Property. 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, quite or vacate such Facility under any circumstance.

AMENDMENTS TO THE LEASE

The Ninth Amendment to the Lease, entered into by the Authority in conjunction with the Series 2001C Lease Revenue 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 E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2007A 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 $15,380,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2007A (the "Series 2007A Bonds"). The Series 2007A Bonds are being issued pursuant to (i) the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3 (the "Act"), (ii) a bond resolution of the governing body of the Authority adopted on June 28, 2007, 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 a Fourteenth Supplemental Indenture of Trust dated as of July 1, 2007 (collectively, the "Indenture") between the Authority and Wells Fargo Bank, N.A., as Trustee. The Series 2007A Bonds are being issued for the purpose of (A) financing the costs of acquiring and constructing certain facilities, properties and improvements (collectively, the "2007A Facilities") and (B) paying the costs associated with the issuance of the Series 2007A Bonds.

The 2007A 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 a Fourteenth Amendment to State Facilities Master Lease Agreement dated as of July 1, 2007 (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 2007A Bonds and income from the investment thereof, the proceeds of certain insurance policies, performance bonds, condemnation awards and liquidation proceeds, if any, the Series 2007A 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 2007A 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 2007A 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 2007A 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 2007A 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 2007A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007A 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 2007A 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 Act, with powers, among others, to issue the Series 2007A 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 2007A 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 2007A 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 2007A Bonds is excludable 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 tax imposed on certain corporations.

6. Interest on the Series 2007A 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 2007A 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 2007A Bonds; and

(c) Although we have rendered an opinion that interest on the Series 2007A Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A 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 2007A Bonds.

Respectfully submitted,

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER PARAGRAPH (b)(5) OF RULE 15C2-12

[TO BE DATED CLOSING DATE]

THIS CONTINUING DISCLOSURE UNDERTAKING (the *"Agreement"*) is executed and delivered by the State of Utah (the *"State"*) in connection with the issuance by the State Building Ownership Authority of the State of Utah (the *"Authority"*) of $15,380,000 aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 2007A (the *"2007A Bonds"*). The 2007A 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 heretofore amended and supplemented, and as further amended and supplemented by a Fourteenth Supplemental Indenture of Trust, dated as of July 1, 2007 (as so amended and supplemented, the *"Indenture"*).

In consideration of the issuance of the 2007A Bonds by the Authority and the purchase of such 2007A Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

Section 1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth above, for the benefit of the beneficial owners of the 2007A Bonds and in order to assist the Participating Underwriter 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 2007A Bonds at the time the 2007A Bonds are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after issuance of the 2007A Bonds.

Section 2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

"Annual Financial Information" means the financial information and operating data described in *Exhibit I*.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the audited financial statements of the State prepared pursuant to the standards and as described in *Exhibit I*.

"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 heretofore amended and supplemented, between the Authority and the State.

"Material Event" means the occurrence of any of the Events with respect to the 2007A Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 5.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIRs" means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Agreement. For a list of the NRMSIRs as of the date of this Agreement, see www.sec.gov/info/muncipal/nrmsir.htm.

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the 2007A Bonds.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"SID" means the public or private repository designated by the State as the state information depository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement there is no SID.

"Undertaking" means the obligations of the State pursuant to Sections 4 and 5.

Section 3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the 2007A Bonds maturing in each of the following years are as follows:

MAY 15 OF THE YEAR	CUSIP NUMBER	MAY 15 OF THE YEAR	CUSIP NUMBER
2009	917547 SN2	2017	917547 SW2
2010	917547 SP7	2018	917547 SX0
2011	917547 SQ5	2019	917547 SY8
2012	917547 SR3	2021	917547 TA9
2013	917547 SS1	2023	917547 TC5
2014	917547 ST9	2025	917547 TE1
2015	917547 SU6	2028	917547 TH4
2016	917547 SV4		

The Final Official Statement relating to the 2007A Bonds is dated June 28, 2007 (the *"Final Official Statement"*).

Section 4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to each NRMSIR and to the SID, 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 or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to each NRMSIR and to the SID, if any) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

Section 5. MATERIAL EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR or to the MSRB and to the SID, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any 2007A Bond or defeasance of any 2007A Bond need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the 2007A Bonds pursuant to the Indenture.

Section 6. DUTY TO UPDATE NRMSIRs/SID. The State shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

Section 7. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, 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 2007A Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the 2007A Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the State to provide the information as required by this Agreement. A default under this Agreement shall not be deemed a default under the 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.

Section 8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State by resolution authorizing such amendment or waiver, 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 Issuer, 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 2007A Bonds, as determined either by parties unaffiliated with the Issuer or any other obligated person (such as bond counsel).

Section 9. 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 2007A 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 SID, if any.

Section 10. DISSEMINATION AGENT; DISCLOSUREUSA. (a) 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.

(b) So long as such method continues to be approved by the Commission for purposes of the Rule, the State may satisfy its obligations for all purposes of this Agreement to provide information or notice to each NRMSIR and to the SID, if any, by sending such information or notice to DisclosureUSA (at, as of the date of this Agreement, www.DisclosureUSA.org) for submission to each NRMSIR and to the SID, if any.

Section 11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

Section 12. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriter 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 2007A Bonds, and shall create no rights in any other person or entity.

Section 13. RECORDKEEPING. The State shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. 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.

Section 15. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

Section 16. SOURCE OF INFORMATION. The persons from whom Annual Financial Information, Audited Financial Statements and any notices described herein can be obtained are (a) the Treasurer of the State of Utah, Utah State Capitol Complex, East Office Building Ste E315 (PO Box 142315), Salt Lake City, Utah 84114-2315, telephone: (801) 538-1042, and (b) a Trust Officer of the Bond Registrar, at Wells Fargo Bank, N.A., Corporate Trust Services, 299 S. Main St, 12th Fl, Salt Lake City, Utah 84111; telephone: (801) 246-5930.

DATED as of the day and year first above written.

STATE OF UTAH

By______________________________________
Edward T. Alter, State Treasurer

EXHIBIT I

**ANNUAL FINANCIAL INFORMATION AND TIMING
AND AUDITED FINANCIAL STATEMENTS**

"*Annual Financial Information*" means financial information and operating data of the type contained in the Official Statement under the following captions:

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 15th following the end of each fiscal year of the State (presently June 30), beginning January 15, 2008. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared pursuant to generally accepted accounting principles as prescribed by the Government Accounting Standards Board. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, within 30 days after availability to State.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE 2007A BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. 2007A Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

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APPENDIX G

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 two million issues of U.S. and non–U.S. equity, 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 2007A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007A 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 2007A 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 2007A Bonds, except in the event that use of the book–entry system for the 2007A Bonds is discontinued.

To facilitate subsequent transfers, all 2007A 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 2007A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007A 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 2007A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2007A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2007A Bond documents. For example, Beneficial Owners of the 2007A Bonds may wish to ascertain that the nominee holding the 2007A 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 2007A 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 2007A 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 2007A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2007A 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 securities depository with respect to the 2007A 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, 2007A 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, 2007A Bond certificates will be printed and delivered to DTC.

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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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest: ______________________________
Assistant Secretary

STD-R-7
01/05

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