New Issue

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

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State Building Ownership Authority and the State of Utah, interest on the 2009B Bonds and the 2009D Bonds (as defined herein) is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the 2009B Bonds and the 2009D Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT. ***Interest on the 2009C Bonds and the 2009E Bonds (as defined herein) is not excludable from gross income for federal income tax purposes.*** *Bond Counsel is also of the opinion that, under currently existing law, interest on the 2009 Bonds is exempt from State of Utah individual income taxes. None of the 2009 Bonds (as defined herein) are "qualified tax–exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. See "LEGAL MATTERS" herein.*

State of Utah,
State Building Ownership Authority

$8,445,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009B

$16,715,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009C
(Federally Taxable–Issuer Subsidy–Build America Bonds)

$12,125,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009D

$89,470,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009E
(Federally Taxable–Issuer Subsidy–Build America Bonds)

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 $8,445,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009B (the "2009B Bonds"); the $16,715,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009C (Federally Taxable–Issuer Subsidy–Build America Bonds) (the "2009C Bonds"); the $12,125,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009D (the "2009D Bonds"); and the $89,470,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009E (Federally Taxable–Issuer Subsidy–Build America Bonds) (the "2009E Bonds" and collectively with the 2009B Bonds, the 2009C Bonds, and the 2009D Bonds, the "2009 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 2009 Bonds.

Principal of and interest on the 2009 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2010) 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 2009 BONDS—Book–Entry System" herein.

The 2009B Bonds and 2009D Bonds are not subject to optional redemption prior to maturity, but are subject to extraordinary optional redemption in the event of damage to, or destruction, seizure or condemnation of the Facilities (as defined below). The 2009C Bonds and 2009E Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities and an Extraordinary Event (as defined herein) occurs) prior to maturity. See "THE FACILITIES—The 2009 DABC Facilities," "—The 2009 Hospital Facilities" and "THE 2009 BONDS—Redemption Provisions For The 2009 Bonds" herein.

The 2009 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 2009 Bonds. The 2009 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 2009 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 2009 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 2009 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power.

Dated: Date of Delivery[1] **Due:** May 15, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2009 Bonds.

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

This OFFICIAL STATEMENT is dated August 26, 2009, and the information contained herein speaks only as of that date.

Barclays Capital

Merrill Lynch & Co. **George K. Baum & Company**

[1] The anticipated date of delivery is Wednesday, September 9, 2009.

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

$8,445,000 Lease Revenue Bonds, (State Facilities Master Lease Program), Series 2009B

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield	Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield
2012…..	UE 9	$ 900,000	3.00%	1.51%	2016…...	UJ 8	$1,075,000	5.00%	2.68%
2013…..	UF 6	925,000	5.00	1.86	2017…...	UK 5	1,125,000	5.00	2.93
2014…..	UG 4	975,000	5.00	2.21	2018…...	UL 3	1,185,000	5.00	3.14
2015…..	UH 2	1,020,000	5.00	2.43	2019…...	UM 1	1,240,000	5.00	3.33

$16,715,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009C
(Federally Taxable–Issuer Subsidy–Build America Bonds)

$7,245,000 5.294% Term Bond due May 15, 2024—Price 100% (CUSIP 917547 UN 9)
Average Life: 12.787 years

$9,470,000 5.768% Term Bond due May 15, 2029—Price 100% (CUSIP 917547 UP 4)
Average Life: 17.796 years

$12,125,000 Lease Revenue Bonds, (State Facilities Master Lease Program), Series 2009D

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield	Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield
2014…..	UQ 2	$1,300,000	5.00%	2.21%	2016…...	US 8	$3,605,000	5.00%	2.68%
2015…..	UR 0	3,425,000	5.00	2.43	2017…...	UT 6	3,795,000	5.00	2.93

$89,470,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009E
(Federally Taxable–Issuer Subsidy–Build America Bonds)

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Price	Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Price
2018…..	VA 6	$4,010,000	4.624%	100%	2022…...	UW 9	$5,830,000	5.344%	100%
2020…..	UU 3	5,295,000	5.054	100	2023…...	UX 7	5,395,000	5.444	100
2021…..	UV 1	5,555,000	5.244	100	2024…...	UY 5	5,695,000	5.544	100

$57,690,000 5.768% Term Bond due May 15, 2030—Price 100% (CUSIP 917547 UZ 2)
Average Life: 18.522 years

[1] The anticipated date of delivery is Wednesday, September 9, 2009.

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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 2009 Bonds, as defined herein, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by either the State of Utah (the "State"), 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 2009 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the State of Utah, State Building Ownership Authority (the "Authority") or the State since the date hereof.

The 2009 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the 2009 Bonds in accordance with applicable provisions of the securities laws of the states in which the 2009 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

The yields at which the 2009 Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this OFFICIAL STATEMENT. In addition, the Underwriters, as defined herein, may allow concessions or discounts from the initial offering prices of the 2009 Bonds to dealers and others. In connection with the offering of the 2009 Bonds, the Underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2009 Bonds. Such transactions may include overallotments in connection with the purchase of 2009 Bonds, the purchase of 2009 Bonds to stabilize their market price and the purchase of 2009 Bonds to cover the Underwriter'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.

The CUSIP (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and neither the Authority nor the State make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the 2009 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2009 Bonds.

The information available at Web sites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2009 Bonds and is not a part of this OFFICIAL STATEMENT.

OFFICIAL STATEMENT RELATED TO

State of Utah, State Building Ownership Authority

$8,445,000 Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2009B

and

$16,715,000 Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2009C
(Federally Taxable–Issuer Subsidy–Build America Bonds)

and

$12,125,000 Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2009D

and

$89,470,000 Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2009E
(Federally Taxable–Issuer Subsidy–Build America Bonds)

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 $8,445,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009B (the "2009B Bonds"); the $16,715,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009C (Federally Taxable–Issuer Subsidy–Build America Bonds) (the "2009C Bonds"); the $12,125,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009D (the "2009D Bonds"); and the $89,470,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009E (Federally Taxable–Issuer Subsidy–Build America Bonds) (the "2009E Bonds" and collectively with the 2009B Bonds, the 2009C Bonds, and the 2009D Bonds, the "2009 Bonds").

This introduction is only a brief description of the 2009 Bonds and the security and source of payment for the 2009 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 2009 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 2009 Bonds; Prior Parity Bonds

The 2009 Bonds are being issued pursuant to: (i) Section 63B–18–201 of the Utah Code (the “2009 Bonding Act”) (related to the Department of Alcoholic Beverage Control); Section 63B–17–201 of the Utah Code (the “2008 Bonding Act”) (related to the Huntsman Cancer Hospital); and other applicable State law (collectively, with the Building Ownership Act, the “Act”); (ii) resolutions adopted by the Authority on May 5, 2009 (the “Parameters Resolutions”) and on August 26, 2009 (the “Final Bond Resolutions” and, together with the Parameters Resolutions, the “Resolutions”) which provide for the authorization, issuance, sale and delivery of the 2009 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 2009B Bonds and 2009C Bonds are being issued to finance the acquisition, construction, equipping and furnishing of a warehouse expansion for the Department of Alcoholic Beverage Control of the State and related facilities, property and improvements, the payment of capitalized interest and the payment of the costs associated with the issuance of the 2009B Bonds and 2009C Bonds (collectively, the “2009 DABC Facilities”).

The 2009D Bonds and 2009E Bonds are being issued to finance the acquisition, construction, expansion, equipping and furnishing of an expansion to the Huntsman Cancer Hospital, as defined herein, the payment of capitalized interest and the payment of the costs associated with the issuance of the 2009D Bonds and 2009E Bonds (collectively, the “2009 Hospital Facilities”).

The 2009 DABC Facilities and the 2009 Hospital Facilities are collectively, the “2009 Facilities.”

See “THE 2009 BONDS—Estimated Sources And Uses Of Funds” and “THE FACILITIES—The 2009 Facilities” below.

The Authority has previously issued 18 series of Bonds under the Indenture (collectively, the “Prior Parity Bonds”), eight 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. The 2009 Bonds are, subject to the release of certain portions of the Facilities in accordance with the Indenture and the Lease, 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. See “THE FACILITIES—Cross–Collateralization” and “–Release Of Portions Of Facilities” below.

As of September 9, 2009 (the anticipated delivery date of the 2009 Bonds), the outstanding aggregate principal amount of the Prior Parity Bonds will be $213,970,000 (exclusive of the 2009 Bonds).

The 2009 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 2009 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 2009 BONDS—Security And Sources Of Payment For The 2009 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 2009 Bonds; Cross Collateralization

The 2009 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 2009 Bonds. See "THE 2009 BONDS—Security And Sources Of Payment For The 2009 Bonds" below.

The State has agreed to make payments pursuant to the Lease in stated amounts which are sufficient to pay the principal of and interest on the 2009 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 2009 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 2009 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 2009 BONDS—Security And Sources Of Payment For The 2009 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 Excepted 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 2009 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 2009B Bonds and 2009D Bonds are not subject to optional redemption prior to maturity, but are subject to extraordinary optional redemption in the event of damage to, or destruction, seizure or condemnation of the Facilities. The 2009C Bonds and 2009E Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities and an Extraordinary Event (as defined herein) occurs) prior to maturity. See “THE FACILITIES” and “THE 2009 BONDS—Redemption Provisions For The 2009 Bonds” below.

Tax Matters Regarding The 2009 Bonds

2009B Bonds and the 2009D Bonds. In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, interest on the 2009B Bonds and the 2009D Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2009B Bonds and the 2009D Bonds, assuming the accuracy of the certifications of the Authority and the State and continuing compliance by the Authority and the State with the requirements of the Internal Revenue Code of 1986 (the “Code”). Interest on the 2009B Bonds and the 2009D Bonds is exempt from individual and corporate federal alternative minimum tax (“AMT”) and is not includable in adjusted current earnings for purposes of corporate AMT. Bond Counsel is also of the opinion that, under currently existing laws, interest on the 2009B Bonds and the 2009D Bonds is exempt from State of Utah individual income taxes. None of the 2009 Bonds are “qualified tax–exempt obligations” within the meaning of Section 265(b)(3) of the Code.

2009C Bonds and the 2009E Bonds. **Interest on the 2009C Bonds and the 2009E Bonds is not excludable from gross income for federal income tax purposes.** Bond Counsel is also of the opinion that, under currently existing law, interest on the 2009C Bonds and the 2009E Bonds is exempt from State of Utah individual income taxes.

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2009 Bonds.

See “LEGAL MATTERS” below for a more complete discussion.

Professional Services

As of the date of this OFFICIAL STATEMENT, the following have served the State in the capacity indicated in connection with the issuance of the 2009 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 800
Salt Lake City UT 84111–2215
801.531.3000 | f 801.531.3001
wadeb@ballardspahr.com

Trustee, Registrar and Paying Agent

Wells Fargo Bank N.A.
Corporate Trust Services
299 S Main St 2nd Fl
Salt Lake City UT 84111
801.246.5930 | f 801.246.5996
laurel.r.bailey@wellsfargo.com

Financial Advisor

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

Conditions On Delivery, Anticipated Date, Manner, And Place Of Delivery For The 2009 Bonds

The 2009 Bonds are offered, subject to prior sale, when, as and if issued and received by Barclays Capital Inc., New York, New York; Merrill Lynch & Co., New York, New York; and George K. Baum & Company, Kansas City, Missouri (collectively, the Underwriters"), 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. Certain legal matters will be passed on for the Underwriters by Chapman and Cutler LLP. It is expected that the 2009 Bonds, in book–entry form, will be available for delivery in Salt Lake City, Utah, for deposit with DTC or its agent on Wednesday, September 9, 2009.

Risks Inherent In The Ownership Of The 2009 Bonds

The purchase of the 2009 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2009 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 2009 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 has not failed to comply in any material respect with any undertaking previously entered into by it pursuant to the Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Indenture and, in the event of such failure, Owners of the 2009 Bonds will be limited to the remedies provided in the Undertaking. See "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING." Any such failure may adversely affect the marketability of the 2009 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 2009 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 2009 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 2009 Bonds. Descriptions of the Indenture, the Lease and the 2009 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 2009 Bonds, the Indenture, the Lease and other documentation, authorizing the issuance of the 2009 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 2009 Bonds is:

John Nichols, Real Estate and Debt Manager
jknichols@utah.gov

Division of Facilities Construction and Management
4110 State Office Bldg
Salt Lake City UT 84114
801.538.3799 | f 801.538.3267
dfcm.utah.gov

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the 2009 Bonds is:

Richard K. Ellis, Utah State Treasurer
Board Member and Secretary of the Authority
rellis@utah.gov

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

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

Eric John Pehrson, Vice President,
eric.pehrson@zionsbank.com

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

THE 2009 BONDS

General

The 2009 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 based on 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. 2009 Bond principal and/or interest

[1] The anticipated date of delivery is Wednesday, September 9, 2009.

payments are then paid by the Trustee on May 15 and November 15. The following table shows scheduled debt service on the 2009B Bonds, the 2009C Bonds, the 2009D Bonds and the 2009E Bonds based on Base Rental Payments.

The 2009B Bonds

Due Date (Base Rental Payment)	The 2009B Bonds Principal	Interest	Period Total	Fiscal Total
May 1, 2010	$ 0.00	$ 276,237.50	$ 276,237.50	$ 276,237.50
November 1, 2010	0.00	202,125.00	202,125.00	
May 1, 2011	0.00	202,125.00	202,125.00	404,250.00
November 1, 2011	0.00	202,125.00	202,125.00	
May 1, 2012	900,000.00	202,125.00	1,102,125.00	1,304,250.00
November 1, 2012	0.00	188,625.00	188,625.00	
May 1, 2013	925,000.00	188,625.00	1,113,625.00	1,302,250.00
November 1, 2013	0.00	165,500.00	165,500.00	
May 1, 2014	975,000.00	165,500.00	1,140,500.00	1,306,000.00
November 1, 2014	0.00	141,125.00	141,125.00	
May 1, 2015	1,020,000.00	141,125.00	1,161,125.00	1,302,250.00
November 1, 2015	0.00	115,625.00	115,625.00	
May 1, 2016	1,075,000.00	115,625.00	1,190,625.00	1,306,250.00
November 1, 2016	0.00	88,750.00	88,750.00	
May 1, 2017	1,125,000.00	88,750.00	1,213,750.00	1,302,500.00
November 1, 2017	0.00	60,625.00	60,625.00	
May 1, 2018	1,185,000.00	60,625.00	1,245,625.00	1,306,250.00
November 1, 2018	0.00	31,000.00	31,000.00	
May 1, 2019	1,240,000.00	31,000.00	1,271,000.00	1,302,000.00
Totals	$8,445,000.00	$2,667,237.50	$11,112,237.50	

The 2009C Bonds

Due Date (Base Rental Payment)	The 2009C Bonds Principal	Interest	Period Total	Fiscal Total
May 1, 2010	$ 0.00	$ 635,349.60	$ 635,349.60	$ 635,349.60
November 1, 2010	0.00	464,889.95	464,889.95	
May 1, 2011	0.00	464,889.95	464,889.95	929,779.90
November 1, 2011	0.00	464,889.95	464,889.95	
May 1, 2012	0.00	464,889.95	464,889.95	929,779.90
November 1, 2012	0.00	464,889.95	464,889.95	
May 1, 2013	0.00	464,889.95	464,889.95	929,779.90
November 1, 2013	0.00	464,889.95	464,889.95	
May 1, 2014	0.00	464,889.95	464,889.95	929,779.90
November 1, 2014	0.00	464,889.95	464,889.95	
May 1, 2015	0.00	464,889.95	464,889.95	929,779.90
November 1, 2015	0.00	464,889.95	464,889.95	
May 1, 2016	0.00	464,889.95	464,889.95	929,779.90
November 1, 2016	0.00	464,889.95	464,889.95	
May 1, 2017	0.00	464,889.95	464,889.95	929,779.90
November 1, 2017	0.00	464,889.95	464,889.95	
May 1, 2018	0.00	464,889.95	464,889.95	929,779.90
November 1, 2018	0.00	464,889.95	464,889.95	
May 1, 2019	0.00	464,889.95	464,889.95	929,779.90
November 1, 2019	0.00	464,889.95	464,889.95	
May 1, 2020	1,305,000.00 (1)	464,889.95	1,769,889.95	2,234,779.90

(1) Mandatory sinking fund principal payments from a $7,245,000 5.294% term bond due May 15, 2024.

The 2009C Bonds–continued

Due Date (Base Rental Payment)	The 2009C Bonds Principal	The 2009C Bonds Interest	Period Total	Fiscal Total
November 1, 2020	$ 0.00	$ 430,346.60	$ 430,346.60	
May 1, 2021	1,370,000.00 (1)	430,346.60	1,800,346.60	$2,230,693.20
November 1, 2021	0.00	394,082.70	394,082.70	
May 1, 2022	1,445,000.00 (1)	394,082.70	1,839,082.70	2,233,165.40
November 1, 2022	0.00	355,833.55	355,833.55	
May 1, 2023	1,520,000.00 (1)	355,833.55	1,875,833.55	2,231,667.10
November 1, 2023	0.00	315,599.15	315,599.15	
May 1, 2024	1,605,000.00 (1)	315,599.15	1,920,599.15	2,236,198.30
November 1, 2024	0.00	273,114.80	273,114.80	
May 1, 2025	1,685,000.00 (2)	273,114.80	1,958,114.80	2,231,229.60
November 1, 2025	0.00	224,519.40	224,519.40	
May 1, 2026	1,785,000.00 (2)	224,519.40	2,009,519.40	2,234,038.80
November 1, 2026	0.00	173,040.00	173,040.00	
May 1, 2027	1,890,000.00 (2)	173,040.00	2,063,040.00	2,236,080.00
November 1, 2027	0.00	118,532.40	118,532.40	
May 1, 2028	1,995,000.00 (2)	118,532.40	2,113,532.40	2,232,064.80
November 1, 2028	0.00	60,996.60	60,996.60	
May 1, 2029	2,115,000.00 (2)	60,996.60	2,175,996.60	2,236,993.20
Totals	$16,715,000.00	$14,625,279.00	$31,340,279.00	

(1) Mandatory sinking fund principal payments from a $7,245,000 5.294% term bond due May 15, 2024.
(2) Mandatory sinking fund principal payments from a $9,470,000 5.768% term bond due May 15, 2029.

The 2009D Bonds

Due Date (Base Rental Payment)	The 2009D Bonds Principal	The 2009D Bonds Interest	Period Total	Fiscal Total
May 1, 2010	$ 0.00	$ 414,270.83	$ 414,270.83	$ 414,270.83
November 1, 2010	0.00	303,125.00	303,125.00	
May 1, 2011	0.00	303,125.00	303,125.00	606,250.00
November 1, 2011	0.00	303,125.00	303,125.00	
May 1, 2012	0.00	303,125.00	303,125.00	606,250.00
November 1, 2012	0.00	303,125.00	303,125.00	
May 1, 2013	0.00	303,125.00	303,125.00	606,250.00
November 1, 2013	0.00	303,125.00	303,125.00	
May 1, 2014	1,300,000.00	303,125.00	1,603,125.00	1,906,250.00
November 1, 2014	0.00	270,625.00	270,625.00	
May 1, 2015	3,425,000.00	270,625.00	3,695,625.00	3,966,250.00
November 1, 2015	0.00	185,000.00	185,000.00	
May 1, 2016	3,605,000.00	185,000.00	3,790,000.00	3,975,000.00
November 1, 2016	0.00	94,875.00	94,875.00	
May 1, 2017	3,795,000.00	94,875.00	3,889,875.00	3,984,750.00
Totals	$12,125,000.00	$3,940,270.83	$16,065,270.83	

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The 2009E Bonds

Due Date (Base Rental Payment)	The 2009E Bonds Principal	Interest	Period Total	Fiscal Total
May 1, 2010	$ 0.00	$ 3,411,804.68	$ 3,411,804.68	$ 3,411,804.68
November 1, 2010	0.00	2,496,442.45	2,496,442.45	
May 1, 2011	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2011	0.00	2,496,442.45	2,496,442.45	
May 1, 2012	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2012	0.00	2,496,442.45	2,496,442.45	
May 1, 2013	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2013	0.00	2,496,442.45	2,496,442.45	
May 1, 2014	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2014	0.00	2,496,442.45	2,496,442.45	
May 1, 2015	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2015	0.00	2,496,442.45	2,496,442.45	
May 1, 2016	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2016	0.00	2,496,442.45	2,496,442.45	
May 1, 2017	0.00	2,496,442.45	2,496,442.45	4,992,884.90
November 1, 2017	0.00	2,496,442.45	2,496,442.45	
May 1, 2018	4,010,000.00	2,496,442.45	6,506,442.45	9,002,884.90
November 1, 2018	0.00	2,403,731.25	2,403,731.25	
May 1, 2019	0.00	2,403,731.25	2,403,731.25	4,807,462.50
November 1, 2019	0.00	2,403,731.25	2,403,731.25	
May 1, 2020	5,295,000.00	2,403,731.25	7,698,731.25	10,102,462.50
November 1, 2020	0.00	2,269,926.60	2,269,926.60	
May 1, 2021	5,555,000.00	2,269,926.60	7,824,926.60	10,094,853.20
November 1, 2021	0.00	2,124,274.50	2,124,274.50	
May 1, 2022	5,830,000.00	2,124,274.50	7,954,274.50	10,078,549.00
November 1, 2022	0.00	1,968,496.90	1,968,496.90	
May 1, 2023	5,395,000.00	1,968,496.90	7,363,496.90	9,331,993.80
November 1, 2023	0.00	1,821,645.00	1,821,645.00	
May 1, 2024	5,695,000.00	1,821,645.00	7,516,645.00	9,338,290.00
November 1, 2024	0.00	1,663,779.60	1,663,779.60	
May 1, 2025	6,015,000.00 (1)	1,663,779.60	7,678,779.60	9,342,559.20
November 1, 2025	0.00	1,490,307.00	1,490,307.00	
May 1, 2026	8,635,000.00 (1)	1,490,307.00	10,125,307.00	11,615,614.00
November 1, 2026	0.00	1,241,273.60	1,241,273.60	
May 1, 2027	9,145,000.00 (1)	1,241,273.60	10,386,273.60	11,627,547.20
November 1, 2027	0.00	977,531.80	977,531.80	
May 1, 2028	10,665,000.00 (1)	977,531.80	11,642,531.80	12,620,063.60
November 1, 2028	0.00	669,953.20	669,953.20	
May 1, 2029	11,285,000.00 (1)	669,953.20	11,954,953.20	12,624,906.40
November 1, 2029	0.00	344,493.80	344,493.80	
May 1, 2030	11,945,000.00 (1)	344,493.80	12,289,493.80	12,633,987.60
Totals	$89,470,000.00	$82,113,172.88	$171,583,172.88	

(1) Mandatory sinking fund principal payments from a $57,690,000 5.768% term bond due May 15, 2030.

Interest on the 2009 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 2009 Bonds.

The 2009 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 2009 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 2009 Bonds

The 2009 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 2009 Bonds. Purchases of 2009 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 2009 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 2009 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined in “APPENDIX G—BOOK–ENTRY SYSTEM.”

Principal of and interest on the 2009 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2010) are payable by Wells Fargo Bank, as Paying Agent and Registrar, to the Owners of the 2009 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 2009 Bonds, as described under “APPENDIX G—BOOK–ENTRY SYSTEM.”

So long as DTC or its nominee is the sole registered owner of the 2009 Bonds, none of the Authority, the State, the Underwriters, nor 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 2009 Bonds. *Under these same circumstances, references herein and in the Indenture to the “Bondowners” or “Registered Owners” of the 2009 Bonds shall mean Cede & Co. as nominee for DTC and shall not mean the Beneficial Owners of the 2009 Bonds.*

Transfer Or Exchange Of The 2009 Bonds

No transfer or exchange of any 2009 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 2009 Bonds selected for redemption and ending at the close of business on the day of such mailing, and (iii) for any 2009 Bond so selected for redemption, in whole or in part, except the unredeemed portion of such 2009 Bond being redeemed in part. Regular Record Date shall mean the first day of the month in which such Bond Interest Payment Date occurs.

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Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2009 Bonds are estimated to be applied as set forth below:

	2009 DABC Facilities			2009 Hospital Facilities		
	2009B Bonds	2009C Bonds	Totals	2009D Bonds	2009E Bonds	Totals
Sources of Funds:						
Par amount	$8,445,000.00	$16,715,000.00	$25,160,000.00	$12,125,000.00	$89,470,000.00	$101,595,000.00
Original issue premium	1,043,946.90	–	1,043,946.90	1,670,269.60	–	1,670,269.60
Total	$9,488,946.90	$16,715,000.00	$26,203,946.90	$13,795,269.60	$89,470,000.00	$103,265,269.60
Uses of Funds:						
Deposit to construction fund	$8,737,256.98	$14,966,743.02	$23,704,000.00	$12,377,397.49	$77,622,602.51	$ 90,000,000.00
Deposit to capitalized interest fund	675,712.17	1,554,146.19	2,229,858.36	1,312,382.04	10,808,366.96	12,120,749.00
Underwriter's discount	40,977.80	131,473.22	172,451.02	59,107.40	703,751.84	762,859.24
Costs of issuance (1)	34,999.95	62,637.57	97,637.52	46,382.67	335,278.69	381,661.36
Total	$9,488,946.90	$16,715,000.00	$26,203,946.90	$13,795,269.60	$89,470,000.00	$103,265,269.60

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

Security And Sources Of Payment For The 2009 Bonds

The Lease and the Indenture. The 2009 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 in each subsequent year. The current term will expire June 30, 2010. Extension of the term of the Lease beyond such date is subject to the further exercise by the State, in its sole discretion, to renew the Lease for consecutive additional one–year Renewal Terms commencing July 1 of each of the years 2010 through 2028, and a final Renewal Term commencing July 1, 2029, and ending May 16, 2030, 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 2009 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, 2010, 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 2009 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 2009 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 2009 Bonds. The Authority does not have any taxing power.

So long as the Lease does not expire on June 30, 2010, 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 2009 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 Legislature at its 2009 Legislative General Session appropriated funds sufficient to pay Base Rentals and Additional Rentals due under the Lease during Fiscal Year 2010 (which commenced on July 1, 2009 and will end on June 30, 2010), which has extended the term of the Lease.

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 bonds as and when due, the Governor may request the Legislature to appropriate additional funds to that agency for the payment of amounts due. *The Legislature may, but is not required to, make such an appropriation.* 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 2009 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 2009 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 2009 Bonds. The Authority will not create or fund a debt service reserve fund for the 2009 Bonds.

Additional Bonds; Refunding Bonds. Additional Bonds may be issued pursuant to the Indenture on a parity with the 2009 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 2009 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 2009 Bonds

The 2009B Bonds and the 2009D Bonds

Redemption Provisions. The 2009B Bonds and the 2009D Bonds are not subject to optional redemption prior to maturity, except that the 2009B Bonds and the 2009D Bonds are subject to extraordinary optional redemption in the event of damage to, or destruction or condemnation of, the 2009 Facilities.

The 2009C Bonds and the 2009E Bonds

Optional Redemption Provisions. General. The 2009C Bonds and 2009E Bonds are subject to redemption (i) in whole on any Optional Redemption Date (which will be the Optional Payment Date on which the State elects to deposit an amount sufficient to purchase the Leased Property as provided the Lease), in the event that the State exercises its option pursuant to the Lease to purchase the Leased Property (other than State–Owned Sites) on the applicable Optional Payment Date, or (ii) in part on any date from such maturities or portions thereof designated by the State in a notice to the Trustee and the Authority of the State's intention to redeem Bonds 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 and described below.

Limited 2009E Bonds 10–year Par Call. The 2009E Bonds maturing prior to May 15, 2030 are subject to optional redemption on or after May 15, 2019 at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

Make–Whole Redemption. All of the 2009C Bonds and all of the 2009E Bonds (including the 2009E Bonds maturing prior to May 15, 2030 during the period prior to May 15, 2019), are subject to optional redemption on any Business Day and at a redemption price equal to the Make–Whole Redemption Price (as defined herein).

The Make–Whole Redemption Price is the greater of (i) 100% of the principal amount of the 2009C Bonds or 2009E Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2009C Bonds or 2009E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2009C Bonds or 2009E Bonds are to be redeemed, discounted to the date on which the 2009C Bonds or 2009E Bonds are to be redeemed on a semi–annual basis, assuming a 360–day year consisting of 12, 30–day months, at the Treasury Rate plus 35 basis points, plus, in each case, accrued and unpaid interest on the 2009C Bonds or 2009E Bonds to be redeemed on the redemption date.

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

"Treasury Rate" means, as applicable, with respect to any redemption date for a particular 2009C Bond or 2009E Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, as applicable, with respect to any redemption date for a particular 2009C Bond or 2009E Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2009C Bond or 2009E Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2009C Bonds or the 2009E Bonds to be redeemed.

"Comparable Treasury Price" means, as applicable, with respect to any redemption date for a particular 2009C Bond or 2009E Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Authority.

"Reference Treasury Dealer" means each of the four firms, specified by the Authority from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and as applicable for any redemption date for a particular 2009C Bond or 2009E Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

"Extraordinary Event" Redemption. All of the 2009C Bonds and all of the 2009E Bonds (including the 2009E Bonds maturing prior to May 15, 2030 during the period prior to May 15, 2019), are subject to optional redemption upon the occurrence of an Extraordinary Event (as defined herein), on any Business Day and at a redemption price equal to the Extraordinary Optional Redemption Price (as defined herein).

The Extraordinary Optional Redemption Price is equal to the greater of (i) 100% of the principal amount of the 2009C Bonds or the 2009E Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2009C Bonds or the 2009E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2009C Bonds or the 2009E Bonds are to be redeemed, discounted to the date on which the 2009C Bonds or the 2009E Bonds are to be redeemed on a semi–annual basis, assuming a 360–day year consisting of 12, 30–day months, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued interest on the 2009C Bonds or the 2009E Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to Build America Bonds) pursuant to which the State's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Mandatory Sinking Fund Redemption on the 2009C Bonds. The 2009C Bonds maturing on May 15, 2024 and May 15, 2029, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption, on the dates and in the principal amounts as set forth below:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
May 15, 2020	$1,305,000
May 15, 2021	1,370,000
May 15, 2022	1,445,000
May 15, 2023	1,520,000
May 15, 2024 (Stated Maturity)	1,605,000
Total	$7,245,000
May 15, 2025	$1,685,000
May 15, 2026	1,785,000
May 15, 2027	1,890,000
May 15, 2028	1,995,000
May 15, 2029 (Stated Maturity)	2,115,000
Total	$9,470,000

Upon redemption of any 2009C Bonds maturing on May 15, 2024 and May 15, 2029, respectively, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the 2009C Bonds maturing on May 15, 2024 or May 15, 2029, respectively, in such order of mandatory sinking fund date as shall be directed by the Authority.

Mandatory Sinking Fund Redemption on the 2009E Bonds. The 2009E Bonds maturing on May 15, 2030, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption, on the dates and in the principal amounts as set forth below:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
May 15, 2025	$ 6,015,000
May 15, 2026	8,635,000
May 15, 2027	9,145,000
May 15, 2028	10,665,000
May 15, 2029	11,285,000
May 15, 2030 (Stated Maturity)	11,945,000
Total	$57,690,000

Upon redemption of any 2009E Bonds maturing on May 15, 2030, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the 2009E Bonds maturing on May 15, 2030, in such order of mandatory sinking fund date as shall be directed by the Authority.

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

The 2009 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 2009 Bonds are called for extraordinary optional redemption, the 2009 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 2009 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 2009 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 2009 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 2009 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 2009 Bond, shall not affect the validity of any proceedings for the redemption of any other 2009 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 2009 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 2009 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 2009 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 2009 Bonds called for redemption, which moneys are or will be available for redemption of 2009 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 2009 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 2009 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 2009 Bonds to be redeemed, upon presentation and surrender of such 2009 Bonds.

Partial Redemption of 2009C Bonds and the 2009E Bonds. If less than all of the 2009C Bonds or the 2009E Bonds of any maturity are to be redeemed prior to maturity, (a) if the 2009C Bonds or the 2009E Bonds to be redeemed are in book–entry form at the time of such redemption, the Trustee shall instruct DTC to instruct the DTC Participants to select the specific 2009C Bonds and 2009E Bonds for redemption pro rata, and neither the Authority nor the Trustee shall have any responsibility to insure that DTC or its Participants properly select such 2009C Bonds and 2009E Bonds for redemption, and (b) if the 2009C Bonds and the 2009E Bonds are not then in book–entry form at the time of such redemption, on each redemption date, the Trustee shall select the specific 2009C Bonds and 2009E Bonds for redemption pro rata. The portion of any registered 2009C Bond or 2009E Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or any integral multiple thereof, and in selecting portions of such 2009C Bonds and 2009E Bonds for redemption, the Trustee will treat each such 2009C Bonds and 2009E Bonds as representing that number of 2009C Bonds and 2009E Bonds of $5,000 denomination that is obtained by dividing the principal amount of such 2009C Bonds and 2009E Bonds by $5,000.

Book–Entry System

DTC will act as securities depository for the 2009 Bonds. The 2009 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 2009B Bond certificate will be issued for each maturity of the 2009B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC. One fully–registered 2009C Bond certificate will be issued for each maturity of the 2009C 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 2009 Bonds (the "Register"). In all cases in which the privilege of exchanging or transferring the 2009 Bonds is exercised in the event that the book–entry system is discontinued and 2009 Bonds are transferred or exchanged, the Authority shall execute, and the Trustee shall authenticate, register and deliver, 2009 Bonds in accordance with the provisions of the Indenture. In such cases, any 2009 Bond may, in accordance with its terms, be transferred upon the Register by the Owner of the 2009 Bond, in person or by such Owner's duly authorized attorney, upon surrender of such registered 2009 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Similarly, 2009 Bonds may be exchanged in such instances at the principal corporate trust office of the Trustee for a like principal amount of 2009 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.

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 under the Building Ownership Act in an amount which would exceed the difference between (i) the total outstanding indebtedness of the State (exclusive of certain State highway bonds specified under the Building Ownership Act) and (ii) 1.5% of the fair market value of the taxable property of the State. Under this formula, the Authority's debt capacity is reduced as non–excluded State general obligation bonds are issued. As of September 9, 2009 (the anticipated delivery date of the 2009 Bonds), the legal debt limit and additional debt incurring capacity of the Authority are calculated as follows:

Fair Market Value of Ad Valorem Taxable Property (1)	$298,740,951,422
Fees in lieu of Ad Valorem Taxable Property (2)	12,784,268,811
Total Fair Market Value of Taxable Property (1)	$311,525,220,233
1.5% Debt Limit Amount	$4,672,878,304
Less: Outstanding State General Obligation Debt (Net) (3)	(1,384,300,693)
Less: The Authority's outstanding Lease Revenue Bonds (Net) (3)	(351,564,537)
Plus: Statutorily exempt State General Obligation Highway Debt (Net) (3)	965,021,963
The Authority's Estimated Additional Debt Incurring Capacity	$3,902,035,037

(1) Based on 2008 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 2008 "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 as of September 9, 2009.

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 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 bonds as and when due, the Governor may request the Legislature to appropriate additional funds to that agency for the payment of amounts due. *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 2009 Bonds of the Authority will be the 19th, 20th, 21st and 22nd 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 2009 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 2009 Bonds are considered to be State Lease Revenue Bonds.

As of September 9, 2009, the Authority will have the following State Lease Revenue Bonds outstanding under the State Facilities Master Lease Program:

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

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2009E (1)	Huntsman Cancer Hospital	$ 89,470,000	May 15, 2030	$ 89,470,000
2009D (1)	Huntsman Cancer Hospital	12,125,000	May 15, 2017	12,125,000
2009C (1)	DABC Warehouse	16,715,000	May 15, 2029	16,715,000
2009B (1)	DABC Warehouse	8,445,000	May 15, 2019	8,445,000
2009A (1)	DABC Facilities	25,505,000	May 15, 2030	25,505,000
2007A (1) (2)	DABC/UCI Facilities	15,380,000	May 15, 2028	15,085,000
2006A (1)	DABC Facilities	8,355,000	May 15, 2027	7,785,000
2004A (1)	Refunding/various purpose	45,805,000	May 15, 2027	41,285,000
2003 (1)	Refunding/various purpose	22,725,000	May 15, 2025	17,855,000
2001B (1)	Various purpose	25,780,000	May 15, 2024	20,690,000
2001A (1) (3)	Huntsman Cancer Hospital	69,850,000	May 15, 2019 (6)	5,350,000
1998C (4) (5)	Refunding	105,100,000	May 15, 2019	80,415,000
Total principal amount of outstanding State Facilities Master Lease Program Bonds				$340,725,000

(1) Rated "Aa1" by Moody's Investors Service, Inc. ("Moody's); and "AA+" by Standard & Poor's Ratings Group, a division of The McGraw–Hill Companies, Inc. ("S&P"), as of the date of this OFFICIAL STATEMENT.

(2) These bonds are insured by National Public Finance Guarantee Corp. (formerly MBIA Insurance Corporation of Illinois), as of the date of this OFFICIAL STATEMENT.

(3) The majority of this bond issue (principal amounts maturing 2010 through 2018; 2020 and 2021) has been legally defeased from an irrevocable escrow account, which account was funded from available cash on hand.

(4) These bonds are rated "Aa1" (Financial Security Assurance Inc. Insured) by Moody's, and "AAA" (Financial Security Assurance Inc. Insured; underlying "AA+") by S&P, as of the date of this OFFICIAL STATEMENT.

(5) Portions of this bond issue (principal amounts maturing 2010 through 2019, in the total aggregate amounts of $2,925,000 and $4,515,000, respectively) have been legally defeased by separate irrevocable escrow accounts, which accounts were funded from available cash on hand.

(6) Final maturity date after portions of this bond were legally defeased from available cash on hand.

Other series of State Lease Revenue Bonds issued by the Authority, as listed below under the caption "Issued Under Separate Stand Alone Legal Documents," are not issued on a parity basis with the State

Lease Revenue Bonds issued under the State Facilities Master Lease Program or each other. Separate debt service reserve funds have been established and funded for each of these other series of bonds.

Issued Under Separate Stand Alone Legal Documents

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
1993A (1)..	Human Services Building	$ 6,230,000	January 1, 2013	$1,835,000
1992B (1)..	Youth Corrections	1,380,000	August 15, 2011	230,000
1992A (1)..	Refunding/Employ. Security	26,200,000	August 15, 2011	4,245,000
Total Authority's other bonds				$6,310,000

(1) Rated "Aa1" by Moody's, and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT.

Summary

Total State Facilities Master Lease Program Bonds	$340,725,000
Total Authority's other bonds	6,310,000
Total State Lease Revenue Bonds (1)	$347,035,000

(1) For accounting purposes, the total unamortized bond premium is $5,518,012 and the total deferred amount is $988,475 as of September 9, 2009, together with current debt outstanding of $347,035,000, results in total outstanding net direct debt of $351,564,537.

Authorized State Lease Revenue Bonds and Future Bonds Issuance. Notwithstanding the legal debt issuing capacity of the Authority discussed in this section under "Legal Borrowing Debt Capacity" above, the Authority may only issue State Lease Revenue Bonds for facilities authorized by the Legislature. Under existing legislative authorization, the Authority has approximately $13,010,000 of remaining bonding authority for future projects that may be undertaken solely by vote of the Authority. The remaining bonding authority consists of:

- $10,500,000 for capital projects from a 2000 authorization; and
- $2,510,000 for capital projects from a 1999 authorization.

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

Issued under the State Facilities Master Lease Program

Fiscal Year Ending June 30	Series 2009E $89,470,000 Principal	Series 2009E Interest (2)	Series 2009D $12,125,000 Principal	Series 2009D Interest	Series 2009C $16,715,000 Principal	Series 2009C Interest (2)	Series 2009B $8,445,000 Principal	Series 2009B Interest	Series 2009A $25,505,000 Principal	Series 2009A Interest	Series 2007A $15,380,000 Principal	Series 2007A Interest
2010……….	$ 0	$ 3,411,805	$ 0	$ 414,271	$ 0	$ 635,350	$ 0	$ 276,238	$ 0	$ 1,350,039	$ 520,000	$ 712,775
2011……….	0	4,992,885	0	606,250	0	929,780	0	404,250	830,000	1,185,400	545,000	690,675
2012……….	0	4,992,885	0	606,250	0	929,780	900,000	404,250	875,000	1,160,500	565,000	667,513
2013……….	0	4,992,885	0	606,250	0	929,780	925,000	377,250	900,000	1,134,250	585,000	643,500
2014……….	0	4,992,885	1,300,000	606,250	0	929,780	975,000	331,000	925,000	1,107,250	610,000	618,638
2015……….	0	4,992,885	3,425,000	541,250	0	929,780	1,020,000	282,250	950,000	1,079,500	645,000	592,713
2016……….	0	4,992,885	3,605,000	370,000	0	929,780	1,075,000	231,250	975,000	1,041,500	665,000	563,688
2017……….	0	4,992,885	3,795,000	189,750	0	929,780	1,125,000	177,500	1,025,000	1,002,500	695,000	533,763
2018……….	4,010,000	4,992,885	–	–	0	929,780	1,185,000	121,250	1,075,000	951,250	735,000	502,488
2019……….	0	4,807,463	–	–	0	929,780	1,240,000	62,000	1,125,000	897,500	760,000	471,250
2020……….	5,295,000	4,807,463	–	–	1,305,000 (4)	929,780	–	–	1,175,000	841,250	795,000 (7)	438,000
2021……….	5,555,000	4,539,853	–	–	1,370,000 (4)	860,693	–	–	1,250,000	782,500	835,000 (7)	398,250
2022……….	5,830,000	4,248,549	–	–	1,445,000 (4)	788,165	–	–	1,300,000	720,000	880,000 (8)	356,500
2023……….	5,395,000	3,936,994	–	–	1,520,000 (4)	711,667	–	–	1,375,000	655,000	915,000 (8)	312,500
2024……….	5,695,000	3,643,290	–	–	1,605,000 (4)	631,198	–	–	1,450,000	586,250	965,000 (9)	266,750
2025……….	6,015,000 (3)	3,327,559	–	–	1,685,000 (5)	546,230	–	–	1,500,000	513,750	1,015,000 (9)	218,500
2026……….	8,635,000 (3)	2,980,614	–	–	1,785,000 (5)	449,039	–	–	1,575,000	438,750	1,065,000 (10)	167,750
2027……….	9,145,000 (3)	2,482,547	–	–	1,890,000 (5)	346,080	–	–	1,675,000	360,000	1,115,000 (10)	114,500
2028……….	10,665,000 (3)	1,955,064	–	–	1,995,000 (5)	237,065	–	–	1,750,000 (6)	276,250	1,175,000 (10)	58,750
2029……….	11,285,000 (3)	1,339,906	–	–	2,115,000 (5)	121,993	–	–	1,850,000 (6)	188,750	–	–
2030……….	11,945,000 (3)	688,988	–	–	–	–	–	–	1,925,000 (6)	96,250	–	–
Totals………	$ 89,470,000	$ 82,113,173	$ 12,125,000	$ 3,940,271	$ 16,715,000	$ 14,625,279	$ 8,445,000	$ 2,667,238	$ 25,505,000	$ 16,368,439	$ 15,085,000	$ 8,328,500

Fiscal Year Ending June 30	Series 2006A $8,355,000 Principal	Series 2006A Interest	Series 2004A $45,805,000 Principal	Series 2004A Interest	Series 2003 $22,725,000 Principal	Series 2003 Interest	Series 2001B $25,780,000 Principal	Series 2001B Interest	Series 2001A $69,850,000 Principal	Series 2001A Interest	Series 1998C $105,100,000 Principal (15)	Series 1998C Interest
2010……….	$ 300,000	$ 330,078	$ 2,405,000	$ 2,079,075	$ 1,275,000	$ 752,668	$ 1,055,000	$ 984,003	$ 0	$ 267,500 (14)	$ 7,950,000	$ 4,422,825
2011……….	315,000	318,078	2,550,000	1,958,825	1,325,000	711,230	1,090,000	941,803	0	267,500 (14)	8,410,000	3,985,575
2012……….	325,000	307,053	2,665,000	1,831,325	1,375,000	663,530	1,135,000	898,203	0	267,500 (14)	8,345,000	3,523,025
2013……….	335,000	295,678	2,795,000	1,698,075	1,440,000	594,780	1,175,000	852,803	0	267,500 (14)	8,805,000	3,064,050
2014……….	350,000	282,278	2,945,000	1,558,325	835,000	537,180	1,225,000	804,628	0	267,500 (14)	9,290,000	2,579,775
2015……….	365,000	268,278	3,085,000	1,411,075	875,000	503,780	1,280,000	753,178	0	267,500 (14)	8,850,000	2,068,825
2016……….	380,000	253,678	3,245,000	1,256,825	900,000	468,780	1,335,000	698,138	0	267,500 (14)	9,230,000 (16)	1,582,075
2017……….	395,000	238,478	3,405,000	1,094,575	940,000	432,780	1,400,000	631,388	0	267,500 (14)	9,130,000 (16)	1,074,425
2018……….	410,000	222,678	2,450,000	924,325	980,000	394,240	1,465,000	561,388	0	267,500 (14)	8,295,000 (16)	572,275
2019……….	425,000	205,663	2,230,000	801,825	1,020,000	353,080	1,550,000	488,138	5,350,000	267,500 (14)	2,110,000 (16)	116,050
2020……….	445,000	187,600	2,345,000	690,325	1,065,000	310,240	1,620,000	410,638	0	0 (14)	–	–
2021……….	465,000	168,688	2,110,000	567,213	1,110,000	264,978	1,705,000	329,638	0	0 (14)	–	–
2022……….	485,000	145,438	1,665,000	456,438	1,160,000	216,415	1,760,000 (13)	244,388	–	–	–	–
2023……….	510,000	122,400	1,755,000	369,025	1,210,000	165,375	1,850,000 (13)	151,988	–	–	–	–
2024……….	535,000 (11)	96,900	1,845,000	276,888	1,265,000	110,925	1,045,000 (13)	54,863	–	–	–	–
2025……….	560,000 (11)	74,163	1,830,000 (12)	180,025	1,080,000	54,000	–	–	–	–	–	–
2026……….	580,000 (11)	50,363	1,250,000 (12)	93,100	–	–	–	–	–	–	–	–
2027……….	605,000 (11)	25,713	710,000 (12)	33,725	–	–	–	–	–	–	–	–
2028……….	–	–	–	–	–	–	–	–	–	–	–	–
2029……….	–	–	–	–	–	–	–	–	–	–	–	–
2030……….	–	–	–	–	–	–	–	–	–	–	–	–
Totals………	$ 7,785,000	$ 3,593,198	$ 41,285,000	$ 17,280,988	$ 17,855,000	$ 6,533,980	$ 20,690,000	$ 8,805,178	$ 5,350,000	$ 2,675,000	$ 80,415,000	$ 22,988,900

(1) This table reflects the Authority's debt service schedule for its lease revenue bonds for the Fiscal Year show This information is based on payments (cash basis) falling due in that particular Fiscal Yea
(2) Does not reflect a 35% federal interest rate subsidy
(3) Mandatory sinking fund payments from a $89,470,000, 5.768%, term bond due May 15, 2030.
(4) Mandatory sinking fund payments from a $7,245,000, 5.294%, term bond due May 15, 2024.
(5) Mandatory sinking fund payments from a $9,470,000, 5.768%, term bond due May 15, 2029.
(6) Mandatory sinking fund payments from a $5,525,000, 5%, term bond due May 15, 2030.
(7) Mandatory sinking fund payments from a $1,630,000, 5%, term bond due May 15, 2021.
(8) Mandatory sinking fund payments from a $1,795,000, 5%, term bond due May 15, 2023.
(9) Mandatory sinking fund payments from a $1,980,000, 5%, term bond due May 15, 2025
(10) Mandatory sinking fund payments from a $3,355,000, 5%, term bond due May 15, 2028
(11) Mandatory sinking fund payments from a $2,280,000, 4.25%, term bond due May 15, 2027
(12) Mandatory sinking fund payments from a $3,790,000, 4.75%, term bond due May 15, 2027
(13) Mandatory sinking fund payments from a $4,655,000, 5.25%, term bond due May 15, 2024.
(14) The majority of this bond issue (certain principal amounts maturing 2009 through 2018; 2020 and 2021) have been legally defeased from an irrevocable escrow account, which account was funded from available cash on hand.
(15) Remaining principal after portions of certain principal amounts maturing May 15, 2009 through May 15, 2019 have been legally defeased by separate irrevocable escrow accounts.
(16) Mandatory sinking fund payments from a $28,765,000, 5.50%, term bond due May 15, 2019.

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

Fiscal Year Ending June 30	*Issued Under Stand Alone Legal Documents* Series 1993A; $6,230,000 Principal	Series 1993A Interest	Series 1993A Total Debt Service	Series 1992B; $1,380,000 Principal	Series 1992B Interest	Series 1992B Total Debt Service	Series 1992A; $26,200,000 Principal	Series 1992A Interest	Series 1992A Total Debt Service
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……….	–	–	–	–	–	–	–	–	–
2029……….	–	–	–	–	–	–	–	–	–
2030……….	–	–	–	–	–	–	–	–	–
Totals………	$ 1,835,000	$ 246,801	$ 2,081,801	$ 335,000	$ 30,919	$ 365,919	$ 6,190,000	$ 547,688	$ 6,737,688

Fiscal Year Ending June 30	**Total Bonds Issued** State Facilities Master Lease Program Total Principal	Total Interest (3)	Total Debt Service	Stand Alone Legal Documents Total Principal	Total Interest	Total Debt Service	Total All Lease Obligations Total Principal	Total Interest (3)	Total Debt Service
2010……….	$ 13,505,000	$ 15,636,624	$ 29,141,624	$ 2,475,000	$ 412,950	$ 2,887,950	$ 15,980,000	$ 16,049,574	$ 32,029,574
2011……….	15,065,000	16,992,250	32,057,250	2,615,000	269,388	2,884,388	17,680,000	17,261,638	34,941,638
2012……….	16,185,000	16,251,812	32,436,812	2,775,000	117,082	2,892,082	18,960,000	16,368,894	35,328,894
2013……….	16,960,000	15,456,800	32,416,800	495,000	25,988	520,988	17,455,000	15,482,788	32,937,788
2014……….	18,455,000	14,615,487	33,070,487	–	–	–	18,455,000	14,615,487	33,070,487
2015……….	20,495,000	13,691,012	34,186,012	–	–	–	20,495,000	13,691,012	34,186,012
2016……….	21,410,000	12,656,097	34,066,097	–	–	–	21,410,000	12,656,097	34,066,097
2017……….	21,910,000	11,565,322	33,475,322	–	–	–	21,910,000	11,565,322	33,475,322
2018……….	20,605,000	10,440,057	31,045,057	–	–	–	20,605,000	10,440,057	31,045,057
2019……….	15,810,000	9,400,247	25,210,247	–	–	–	15,810,000	9,400,247	25,210,247
2020……….	14,045,000	8,615,295	22,660,295	–	–	–	14,045,000	8,615,295	22,660,295
2021……….	14,400,000	7,911,811	22,311,811	–	–	–	14,400,000	7,911,811	22,311,811
2022……….	14,525,000	7,175,892	21,700,892	–	–	–	14,525,000	7,175,892	21,700,892
2023……….	14,530,000	6,424,948	20,954,948	–	–	–	14,530,000	6,424,948	20,954,948
2024……….	14,405,000	5,667,063	20,072,063	–	–	–	14,405,000	5,667,063	20,072,063
2025……….	13,685,000	4,914,226	18,599,226	–	–	–	13,685,000	4,914,226	18,599,226
2026……….	14,890,000	4,179,615	19,069,615	–	–	–	14,890,000	4,179,615	19,069,615
2027……….	15,140,000	3,362,565	18,502,565	–	–	–	15,140,000	3,362,565	18,502,565
2028……….	15,585,000	2,527,128	18,112,128	–	–	–	15,585,000	2,527,128	18,112,128
2029……….	15,250,000	1,650,650	16,900,650	–	–	–	15,250,000	1,650,650	16,900,650
2030……….	13,870,000	785,238	14,655,238	–	–	–	13,870,000	785,238	14,655,238
Totals………	$340,725,000	$189,920,142	$530,645,142	$ 8,360,000	$ 825,408	$ 9,185,408	$349,085,000	$190,745,550	$539,830,550

(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.
(3) Does not reflect a 35% federal interest rate subsidy on several "Build American Bonds" lease revenue bond issues

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, or defaulted on any payments due under, any annually renewable lease with the Authority.

THE FACILITIES

The Facilities As Security For The 2009 Bonds

The 2009 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 2009 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 2009 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 2009 BONDS—Security And Sources Of Payment For The 2009 Bonds–The Lease and the Indenture" above. Under the Lease, an Event of Nonappropriation will occur if the Legislature fails or refuses to specifically appropriate moneys sufficient to pay the Rentals with respect to all or any 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 2009 DABC Facilities

The Facilities financed with proceeds of the 2009B Bonds and the 2009C Bonds (the "2009 DABC Facilities") include the acquisition, construction, equipping and furnishing of a warehouse expansion for the Department of Alcoholic Beverage Control of the State and related facilities, property and improvements (approximately $23.7 million) to be located in Salt Lake County, Utah. It is expected that the 2009 DABC Facilities will be available for use by November 2010.

The 2009 Hospital Facilities

The Facilities financed with the proceeds of the 2009D Bonds and the 2009E Bonds (the "2009 Hospital Facilities") include the acquisition, construction and equipping of a new $102 million, 156,000 square foot expansion to the existing Huntsman Cancer Hospital. The 2009 Hospital Facilities will be located on land owned by the University and leased to the Authority. All facilities are a part of the University's Health Sciences Center. It is expected that the 2009 Hospital Facilities will be available for use by January 2012. See "RISK FACTORS–Ground Upon Which Certain Mortgaged Facilities Are Constructed; Possibility Of Reverter" below.

The 2009 Hospital Facilities will be subleased to the University under terms that require rental payments at times and in amounts sufficient to pay debt service and related costs on the 2009D Bonds and the 2009E Bonds. Neither the sublease nor any termination, expiration, or default thereunder will relieve the State of any of its Rental payment or other obligations with respect to the 2009 Hospital Facilities under the Lease.

The Authority has previously issued lease revenue bonds to fund various construction projects for the Huntsman Cancer Institute. The Huntsman family established the Huntsman Cancer Foundation (the "Foundation"), a Delaware not–for–profit corporation, organized for the purpose of providing financial support to Huntsman Cancer Institute, including the Huntsman Cancer Hospital and the Huntsman Cancer Institute building, for the education, research and promotion of health activities of the University's Health Sciences Center. Portions of the construction costs, of the various construction projects for the Huntsman Cancer Institute, have been paid for by the Foundation and the 2009 Hospital Facilities will similarly benefit from contributions from the Foundation. Approximately $12 million will be contributed by the Foundation and research center to the acquisition and construction of the 2009 Hospital Facilities.

The Facilities Financed With The Bonds

Set forth below is a brief description of certain major Facilities financed through the proceeds of the 2009 Bonds and the Prior Parity Bonds. The Facilities consist of approximately 66 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, 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 or will include:

(1) The 2009 expansion of the Huntsman Cancer Hospital. The Authority will issue approximately $90 million of Bonds to finance this facility.

(2) The Huntsman Cancer Hospital expansion in 2001, a $105 million, 272,000 square–foot, building. 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.

(3) 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.

(4) DABC warehouse expansion. The Authority will issue approximately $23.7 million of Bonds to finance this facility.

(5) 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.

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

(7) 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.

(8) 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.

(9) 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.

(10) 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 Date of Release from Lien (May 16) (1)
Huntsman Cancer Hospital (2009 expansion) .	Under construction–2012	2030
Huntsman Cancer Hospital	Completed–2004	2019
State Courts Complex	Completed–1998	2018
DABC Warehouse	Under construction–2010	2029
DEQ Office	Completed–1993–1995	2014
West Jordan Courts Complex	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	2010–2030

(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 2009 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 2009 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 therefore, 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 purchase of the 2009 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2009 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain of these risks are described below. The enumerated risks described below are not all–inclusive but are intended to highlight certain of these risks for the convenience of the reader.

Limited Obligations

The 2009 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"), and the current term expires on June 30, 2010. 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, 2010. Unless sooner terminated, this annual renewal option will continue through June 30, 2029 with a final renewal term commencing July 1, 2029, and ending May 16, 2030 (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 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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 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 2009 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 2009 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 2009 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 2009 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 2009 Bonds," "—The 2009 Facilities" and "—The Facilities Financed With The Bonds" above.

The Authority and the State believe, but there can be no assurance, that the proceeds of sale of the 2009 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 The 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 2009 Bonds and the Prior Parity Bonds. See "THE 2009 BONDS—Security And Sources Of Payment For The 2009 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 2009 BONDS—Redemption Provisions For The

2009 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 2009 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 2009 Bonds to comply with certain covenants relating to the Indenture, the Lease and the 2009 Bonds, on a continuing basis, so long as any of the 2009 Bonds are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in interest on the 2009 Bonds becoming includible in federal gross income of the owners thereof, retroactive to the date of their original issuance. See "LEGAL MATTERS" below. The Indenture and the 2009 Bonds do not provide for payment of any additional interest or penalty or redemption in the event that interest on the 2009 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.

Ground Upon Which Certain Mortgaged Facilities Are Constructed; Possibility Of Reverter

The site upon which the 2009 Hospital Facilities will be located (the "2009 Hospital Facilities Site") is owned by the University. The original grant of land to the University from the United States of America provides, among other things, that the 2009 Hospital Facilities Site is to be used for educational purposes only and is subject to a reversion back to the United States if (i) use of the 2009 Hospital Facilities Site does not comply with the provisions of the "approved plan of development" on file with the United States Bureau of Land Management (or any revision thereof) or (ii) if the University, without the consent of the Secretary of the Interior (or his or her delegate) attempts to transfer title or control over the 2009 Hospital Facilities Site, or if the 2009 Hospital Facilities Site is devoted to a use other than that for which it was conveyed, or for certain discriminatory purposes.

In order to facilitate the financing, the 2009 Hospital Facilities Site will be leased to the Authority by the University. The United States Bureau of Land Management has informed the University that it has concluded that the proposed method of financing the 2009 Hospital Facilities Site is consistent with the federal grant for the 2009 Hospital Facilities Site.

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 2009 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. The Legislature exercises the legislative power of the State and meets in regular session annually beginning in January. The Legislature, among other things, 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 September 9, 2009, the State will have $1,384,344,524 of outstanding general obligation bonds that mature through the Fiscal Year 2024 and plans to issue approximately $1 billion of additional general obligation bonds in September 2009 for building and highway purposes.

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

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

The present value of the minimum lease payments of the State's capital leases for primary government for Fiscal Years 2008 and 2007 totaled approximately $18.8 million (with annual payments scheduled through Fiscal Year 2028) and approximately $18.2 million (with annual payments scheduled through Fiscal Year 2027), respectively. The present value of the minimum lease payments of the State's capital leases for the State's component units for Fiscal Years 2008 and 2007 totaled approximately

$70.1 million (with annual payments scheduled through Fiscal Year 2028) and approximately $66.7 million (with annual payments scheduled through Fiscal Year 2027), respectively.

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

Operating lease expenditures for Fiscal Years 2008 and 2007 were approximately $30.4 million and $27.9 million, respectively, for the primary government, and approximately $33.5 million and $32.4 million, respectively, for component units. The total future minimum lease payments for the State's operating leases for primary government for Fiscal Years 2008 and 2007 totaled approximately $88.6 million (with annual payments scheduled through Fiscal Year 2059) and approximately $81.3 million (with annual payments scheduled through Fiscal Year 2027), respectively. The total future minimum lease payments for the State's operating leases for component units for Fiscal Years 2008 and 2007 totaled approximately $179.4 million (with annual payments scheduled through Fiscal Year 2033) and approximately $310.5 million (with annual payments scheduled through Fiscal Year 2032), respectively.

For a detailed report and description of operating and capital leases see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2008—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 State Board of Regents (student loan and various capital projects), a component unit of the State.

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 2008—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 State school districts ("Eligible School Boards"). The Guaranty Act is intended to reduce borrowing costs for Eligible School Boards by providing credit enhancement for Guarantied Bonds.

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

Guaranty Act also contains provisions to compel the Eligible School Board to levy a tax sufficient to reimburse the State for such payments.

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

During Fiscal Year 2010, the State will have at least $2.57 billion principal amount outstanding of Guarantied Bonds. Currently, the Guarantied Bond program's annual principal and interest payments are scheduled through Fiscal Year 2030. The State cannot predict the amount of bonds that may be guarantied in this year or in future years; no limitation is currently imposed by the Guaranty Act.

State Moral Obligation Bonds

Bonds issued by the State Board of Regents 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:

State Board of Regents. The State Board of Regents has approximately $2.23 billion of student loan revenue bonds and approximately $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 $490.8 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately $408.2 million of which are State Moral Obligation Bonds.

Utah Communications Agency Network. The Utah Communications Agency Network has approximately $6.5 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 2008—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 2008, 2007 and 2006:

Revenues and Expenditures for Fiscal Years 2008, 2007 and 2006

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

	Fiscal Year Ending June 30, 2008		Fiscal Year Ending June 30, 2007		Fiscal Year Ending June 30, 2006	
	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)	$2,970,980	(1)%	$3,001,181	11%	$2,703,989	25%
Federal revenues	2,570,047	4	2,469,442	(1)	2,501,030	6
Sales and use tax (2)	2,031,239	(4)	2,109,732	10	1,915,600	13
Motor/special fuel taxes	357,664	(2)	366,446	6	344,902	3
Other taxes	325,513	4	313,149	0	311,974	15
Other	1,049,465	6	990,665	11	896,246	29
Total	$9,304,908	1%	$9,250,615	7%	$8,673,741	15%
Expenditures	$9,259,205	12%	$8,265,238	8%	$7,631,700	9%

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

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

(Source: Division of Finance and the 2008 CAFR.)

Recent Developments

Future Issuance of Bonds. The State plans to issue at least $1 billion of authorized general obligation bonds, and may issue additional bonds as it deems necessary, through a negotiated sale on September 16, 2009. Proceeds of these bonds will be used for highway construction projects. The State will repay these bonds over a 15 year period.

Major Funds. Most government services of the State are paid through one of its major governmental funds. In Fiscal Year 2009, the State's major governmental funds were the General Fund, Education Fund, Uniform School Fund, Transportation Fund, and Transportation Investment Fund.

Spending and Debt Limitations. The State has statutory appropriation and debt limits. The appropriations limit adjusts annually pursuant to a statutory formula based on population and inflation. The definition of appropriations includes only appropriations from unrestricted General Fund sources and from non–Education Fund income tax revenues (spending for public education and transportation are exempted from the limitation). For Fiscal Year 2008, the State was approximately $33.5 million below the statutory appropriation limit, and for Fiscal Year 2009 it is in excess of $200 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."

Budget Management. The General Fund, Education Fund, and Uniform School Fund ended Fiscal Year 2008 with a balanced budget by using $28.8 million of General Fund and $45.6 million of Education Fund and Uniform School Fund, originally designated and budgeted to be used for Fiscal Year 2009, to cover revenue shortfalls that occurred in Fiscal Year 2008.

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

Currently the balance in the Rainy Day Fund is approximately $188.9 million and the Education Reserve balance is approximately $229.6 million.

2008 Special Session. In early Fiscal Year 2009, consensus revenue estimates for Fiscal Year 2009 were revised downward as the economy contracted and sales and other taxes were estimated to be less than anticipated. On September 25, 2008, Governor Huntsman called the Legislature into a special session to address the Fiscal Year 2009 budget and revenue shortfalls.

In order to conform to the revised Fiscal Year 2009 revenue estimates done in September 2008, which were $106.9 million lower for the General Fund and $165.5 million lower for the Education Fund than the forecast adopted during the 2008 General Session, the Legislature enacted ongoing appropriation cuts for agencies equivalent to a 4% reduction. The Departments of Health, Corrections, and Human Services received smaller cuts and Public Education was held harmless for Fiscal Year 2009.

2009 General Session. The consensus revenue forecast released in November 2008 showed a $350 million gap ($130 million General Fund and $220 million Education Fund) between the Fiscal Year 2009 budget enacted in the September 2008 Special Session and anticipated revenues. This gap was addressed in 2009 General Session H.B. 3, Current Fiscal Year Supplemental Appropriations, which was signed by the Governor and enacted on February 9, 2009. The consensus revenue forecast was updated on February 17, 2009 and showed an additional gap of $170 million ($50 million General Fund and $120 million Education Fund) for Fiscal Year 2009 and an additional shortfall of $165 million ($95 million General Fund and $70 million Education Fund) in Fiscal Year 2010. Non–lapsing balances and federal funds from the American Recovery and Revitalization Act of 2009 ("ARRA") were used to fill the budget gap in Fiscal Year 2009. In order to maintain structural balance within the budget, further ongoing appropriation cuts were made in S.B. 2, New Fiscal Year Appropriations Act, and S.B. 3, Appropriations Adjustments. Federal funds from ARRA were used as a one–time "back fill" to mitigate these cuts in Fiscal Year 2010. The revenue shortfalls were addressed without impacting the $100 million that was set aside for Public Education enrollment growth during the 2008 General Session or withdrawing from the Rainy Day Fund or the Education Reserve accounts.

American Recovery and Revitalization Act of 2009. The State anticipates that it will receive approximately $1.6 billion in federal economic stimulus funding authorized by ARRA. Major components of ARRA funding impacting the State's budget include: (a) approximately $250 million additional Medicaid (Federal Medicaid Assistance Percentage increase); (b) $479.9 million of fiscal stabilization (consisting of $392.6 million for education and $87.3 million general purpose); and (c) approximately $150 million for highways and bridges. The remaining amount will be allocated to a wide variety of State and local programs through formulary funding and competitive grants. The receipt of these federal stimulus funds, other than the $87.3 million for general purposes, is contingent on the ability of the State or local subdivisions to use the funds for specific programs, and such funds will not be available for State discretionary purposes. Certain of such programs currently do not exist in the State, and the State anticipates that it may not be able to receive the related funds unless it is able to implement the specific programs for which the funds are intended.

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. In the 2008 General Session, the Legislature added 0.05% back to the general sales tax rate (4.65% to 4.70%), effective January 1, 2009, and committed the resulting revenue, approximately $22 million when fully implemented, to the Critical Highway Needs Fund and the Transportation Investment Fund. The cumulative revenue impact of sales tax reform enacted over the last three legislative sessions is estimated to be a decrease in revenues of $140 million annually when fully implemented.

Beginning with the 2008 tax year, all taxpayers were required to file a return using a single rate of 5% 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 from the new singular tax rate is estimated to be a decrease in revenues of $190 million annually. During the 2008 General Session, several additional tax credits were approved, the most significant of which was a healthcare tax credit for taxpayers who purchase health insurance plans and are not otherwise eligible for preferential tax treatment. The ongoing revenue loss from these credits does not take effect until Fiscal Year 2010, when the estimated decrease in revenue is $22 million. See “State Tax System” below.

Public Education. Including approximately $207 million in one–time funds from ARRA, Fiscal Year 2010 State funding for Public Education will be approximately 6% lower than the originally authorized Fiscal Year 2009 budget. The Fiscal Year 2010 Public Education budget includes $53.2 million in student enrollment growth for an anticipated 13,500 new students.

Capital Expenditures. In the 2009 General Session, the Legislature authorized $147 million of bonding for new buildings for higher education and state administrative needs. An additional $55.7 million was appropriated for maintenance and improvements to existing buildings; this amount was reduced by $12.1 million during the 2009 General Session. New funding for transportation projects included an authorization of $2.2 billion of additional general obligation bonds.

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 2008. For the complete discussion see “APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2008–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 2004 through 2008. 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.”

State of Utah

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

(This summary is unaudited)

	As of June 30 (in thousands)				
	2008	2007	2006	2005	2004
Assets:					
Cash and cash equivalents	$ 1,540,923	$ 1,811,006	$ 1,259,084	$ 932,620	$ 386,148
Receivables:					
Accrued taxes, net	833,731	1,191,060	929,421	693,516	586,076
Accounts, net	571,498	533,245	473,961	464,291	626,266
Notes / mortgages, net	10,078	12,920	30,471	13,265	9,458
Accrued interest	80	77	135	123	55
Investments	950,549	746,104	769,088	521,982	711,950
Due from other funds	50,038	90,336	30,214	23,700	24,277
Due from component units	35,802	42,177	26,784	26,179	26,395
Interfund loans receivable	39,005	33,905	28,111	32,533	43,963
Inventories	11,899	12,776	11,557	11,473	9,496
Total assets	$ 4,043,603	$ 4,473,606	$ 3,558,826	$ 2,719,682	$ 2,424,084
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 768,618	$ 721,060	$ 598,382	$ 589,716	$ 536,089
Deferred revenue	433,196	614,529	502,036	319,938	390,140
Due to other funds	71,019	99,670	35,704	28,151	26,569
Due to component units	19	448	440	1,503	8,013
Interfund loans payable	–	–	–	–	2,478
Total liabilities	1,272,852	1,435,707	1,136,562	939,308	963,289
Fund balances:					
Reserved	1,323,820	986,326	836,056	716,255	555,158
Unreserved designated	1,134,438	1,628,919	1,199,334	681,751	534,040
Unreserved undesignated	312,493	422,654	386,874	382,368	371,597
Total fund balances	2,770,751	3,037,899	2,422,264	1,780,374	1,460,795
Total liabilities and fund balances	$ 4,043,603	$ 4,473,606	$ 3,558,826	$ 2,719,682	$ 2,424,084

(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)				
	2008	2007	2006	2005	2004
Revenues:					
Taxes:					
Sales and use tax (1)	$ 1,710,564	$ 1,860,703	$ 1,820,992	$ 1,664,352	$ 1,521,076
Other taxes	283,852	274,563	271,178	234,710	200,167
Total taxes	1,994,416	2,135,266	2,092,170	1,899,062	1,721,243
Other revenues:					
Federal contracts and grants	1,892,116	1,818,571	1,859,583	1,776,555	1,741,580
Charges for services	299,819	267,479	256,025	238,181	204,874
Federal mineral lease	134,404	145,985	156,851	82,704	67,216
Investment income	75,647	94,448	47,027	16,483	6,897
Licenses, permits and fees	20,633	20,479	18,725	17,866	18,029
Miscellaneous and other	158,883	166,471	164,890	148,015	143,033
Total revenues	4,575,918	4,648,699	4,595,271	4,178,866	3,902,872
Expenditures:					
Current:					
Health and environmental quality	1,643,269	1,615,690	1,629,909	1,456,282	1,340,304
Higher education–colleges and universities	773,107	693,082	665,855	626,026	595,630
Human services and youth corrections	674,389	623,689	590,727	575,046	550,691
Employment and family services	432,032	405,902	412,855	415,892	394,304
General government	286,274	242,845	200,631	161,728	157,791
Corrections, adult	247,376	225,548	203,419	193,442	187,278
Public safety	191,483	170,306	177,201	161,350	146,974
Natural resources	171,738	166,533	136,059	120,398	119,909
Courts	128,148	118,326	111,541	106,128	100,975
Community and culture	127,225	105,051	82,627	86,335	86,085
Business, labor, and agriculture	87,601	81,643	79,138	74,919	62,528
Higher education–state administration	64,587	49,064	43,505	39,121	32,827
Total expenditures	4,827,229	4,497,679	4,333,467	4,016,667	3,775,296
Excess revenues over (under) expenditures	(251,311)	151,020	261,804	162,199	127,576
Other financing sources (uses):					
Transfers in	908,222	649,271	323,689	294,313	178,900
Transfers out	(873,826)	(589,855)	(370,336)	(288,486)	(207,519)
Capital leases acquisition	2,131	–	–	–	–
Sale of capital assets	80	–	–	–	–
Total other financing sources (uses)	36,607	59,416	(46,647)	5,827	(28,619)
Net change in fund balances	(214,704)	210,436	215,157	168,026	98,957
Beginning fund balance	1,079,572	869,136	653,979	485,953	386,996
Ending fund balances	$ 864,868	$ 1,079,572	$ 869,136	$ 653,979	$ 485,953

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

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

State of Utah

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

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2008	2007	2006	2005	2004
Revenues:					
Taxes:					
Individual income tax	$ 2,560,394	$ 2,589,252	$ 2,324,365	$ 1,946,593	$ 1,706,774
Corporate tax	410,586	411,929	379,624	209,304	165,893
Motor and special fuels tax	357,664	366,446	344,902	336,417	327,838
Sales and use tax (2)	320,675	249,029	94,608	35,284	32,833
Other taxes	41,661	38,586	40,796	36,554	30,391
Total taxes	3,690,980	3,655,242	3,184,295	2,564,152	2,263,729
Other revenues:					
Federal contracts and grants	677,931	650,871	641,447	586,248	550,466
Licenses, permits and fees	101,249	99,870	94,959	90,040	85,606
Charges for services	70,715	56,592	50,857	26,975	27,399
Federal aeronautics	68,193	44,074	37,521	34,416	25,821
Investment income	49,281	41,156	31,222	22,235	15,720
Miscellaneous and other	70,641	54,111	38,169	17,318	25,693
Total other revenues	1,038,010	946,674	894,175	777,232	730,705
Total revenues	4,728,990	4,601,916	4,078,470	3,341,384	2,994,434
Expenditures:					
Current:					
Public education	2,960,523	2,547,075	2,322,801	2,168,798	2,037,873
Transportation	1,471,453	1,220,484	975,432	831,737	810,708
Total expenditures	4,431,976	3,767,559	3,298,233	3,000,535	2,848,581
Excess revenues over (under) expenditures	297,014	834,357	780,237	340,849	145,853
Other financing sources (uses):					
Transfers in	3,072,875	2,612,415	286,496	185,731	163,880
General obligation bonds issued	68,995	–	–	47,050	–
Sale of capital assets	8,058	6,747	–	–	–
Premium on bonds issued	1,088	–	–	2,950	–
Transfers out	(3,625,959)	(3,074,734)	(567,290)	(535,939)	(331,345)
Total other financing sources (uses)	(474,943)	(455,572)	(280,794)	(300,208)	(167,465)
Net changes in fund balances	(177,929)	378,785	499,443	40,641	(21,612)
Beginning fund balance	1,675,221	1,296,436	796,993	757,418	779,030
Adjustments to beginning fund balance (3)	–	–	–	(1,066)	–
Beginning fund balance as adjusted	1,675,221	1,296,436	796,993	756,352	779,030
Ending fund balances	$ 1,497,292	$ 1,675,221	$ 1,296,436	$ 796,993	$ 757,418

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

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

(3) Due primarily to changes in accounting standards.

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

Property Tax Matters

The following information with respect to certain property tax matters is included in this OFFICIAL STATEMENT to provide background information. As described herein, the 2009 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 assessing of Centrally–Assessed Property and the challenging by property owners of such assessments. Once the required information is provided to the various county treasurers, they mail all property owners a tax notice that specifies the aggregate amount of taxes to be paid for State, county, city, town, school and other purposes.

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

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

Tax Year	Taxable Value (1)	% Change Over Prior Year	Fair Market Value (2)	% Change Over Prior Year
2009 (3)	$203,723,488,560	(3.9)%	$286,008,663,331	(4.3)%
2008	211,905,170,511	12.1	298,740,951,422	10.9
2007	189,087,689,610	22.3	269,489,922,952	23.1
2006	154,663,248,988	16.8	218,864,053,927	17.1
2005	132,372,801,410	7.4	186,836,223,701	8.0
2004	123,210,372,102	5.0	173,003,833,163	5.1

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

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

Historical Summaries Of Taxable Values Of Property

	Calendar Year											
	2009		2008		2007		2006		2005		2004	
Set by State Tax Commission (Centrally Assessed)	Taxable Value (1)	% of Total	Taxable Value (1)	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total
Natural resources………………	$ 7,537,769,076	3.7 %	$ 8,601,102,256	4.1 %	$ 6,858,057,725	3.6 %	$ 6,219,779,718	4.0 %	$ 4,898,371,950	3.7 %	$ 4,211,778,705	3.4 %
Utilities………………………	11,782,685,858	5.8	10,427,402,597	4.9	9,943,565,300	5.3	9,552,461,539	6.2	9,293,092,255	7.0	9,509,472,931	7.7
Total centrally assessed…..	19,320,454,934	9.5	19,028,504,853	9.0	16,801,623,025	8.9	15,772,241,257	10.2	14,191,464,205	10.7	13,721,251,636	11.1
Set by County Assessor (Locally Assessed)												
Real property:												
Primary residential……………	100,570,769,164	49.4	105,930,854,172	50.0	98,069,970,843	51.9	78,264,051,562	50.6	66,358,371,700	50.1	60,635,462,669	49.2
Commercial…………………..	42,000,000,000	20.6	43,621,013,421	20.6	38,267,427,307	20.2	32,588,392,214	21.1	28,604,861,843	21.6	25,204,539,225	20.5
Other real……………………	29,685,000,000	14.6	31,011,606,439	14.6	25,974,054,552	13.7	19,383,478,151	12.5	14,895,471,950	11.3	15,622,104,219	12.7
Total real property………..	172,255,769,164	84.6	180,563,474,032	85.2	162,311,452,702	85.8	130,235,921,927	84.2	109,858,705,493	83.0	101,462,106,113	82.3
Personal property:												
Total personal property………	12,147,264,461	6.0	12,313,191,626	5.8	9,974,613,883	5.3	8,655,085,804	5.6	8,322,631,712	6.3	8,027,014,353	6.5
Total locally assessed…….	184,403,033,625	90.5	192,876,665,658	91.0	172,286,066,585	91.1	138,891,007,731	89.8	118,181,337,205	89.3	109,489,120,466	88.9
Total taxable value………	$203,723,488,559	100.0 %	$211,905,170,511	100.0 %	$189,087,689,610	100.0 %	$154,663,248,988	100.0 %	$132,372,801,410	100.0 %	$123,210,372,102	100.0 %

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

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

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

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

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

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

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

Budgetary Procedures

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

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

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

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

State Funds And Accounting

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

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

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

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

For further information on State funds and accounting, including a description of each of the major governmental funds, see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2008—Notes to the Financial Statements—Note 1. Summary of Significant Accounting Policies."

State Tax System

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

The State also receives revenues from unemployment compensation taxes.

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

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

Individual Income Taxes. The State is one of 43 states that impose an individual income tax. The State recently adopted a single rate income tax system, which was fully implemented in the 2008 tax year. Expected benefits of State individual income tax reform include broadening of the tax base, lowering of the rate, reduction in revenue volatility, and increased simplicity. Under the new system, all taxpayers will file a return using a single rate of 5% of federal adjusted gross income. To retain the progressivity, a tax credit based on federal deductions and federal personal exemptions is available, but phases out depending upon the income and filing status of the individual taxpayers. The estimated cumulative revenue impact of 2006 and 2007 individual tax reform is a decrease of approximately $105 million in Fiscal Year 2008 and

$190 million annually beginning in Fiscal Year 2009. During the 2008 General Session, several additional tax credits were approved, the most significant of which was a healthcare tax credit for taxpayers who purchase health insurance plans and are not otherwise eligible for preferential tax treatment. The ongoing revenue loss from the 2008 General Session changes does not take effect until Fiscal Year 2010, when the estimated decrease in revenue is and estimated $22 million.

Contingent Tax Credits. In the 2008 General Session, the Legislature increased the maximum amount of contingent tax credit certificates that can be issued by the Utah Capital Investment Board from $100 million to $300 million. The certificates are to be structured such that no more than $20 million of contingent tax credits for each $100 million increment of contingent tax liability may be redeemable in any Fiscal Year. Under certain circumstances, the holder of a certificate is entitled to a refundable tax credit against tax liabilities imposed by Title 59, Chapter 7, Corporate Franchise and Income Taxes, or Title 59, Chapter 10, Individual Income Tax Act.

Business Taxes. The State imposes a tax on corporate net taxable income apportioned to the State at a rate of 5%. Currently, the minimum tax is $100. Over the past several General Sessions the Legislature reduced business taxes in a number of ways, including expanding a corporate research and development tax credit, expanding the renewable energy tax credit, repealing an additional gross receipts tax, equalizing satellite and cable television taxes, and creating sales tax exemptions for telecommunication equipment, manufacturing parts and supplies, oil and mining equipment, and dental prostheses. The estimated combined decrease in revenues from these changes is approximately $30 million in Fiscal Year 2008 and $60 million annually beginning in Fiscal Year 2009.

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

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

Significant changes to the sales and use tax were enacted during the 2006, 2007 and 2008 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. The rate was further dropped 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 estimated annual cumulative revenue impact of these reforms is $110 million in Fiscal Year 2008 and $160 million in Fiscal Year 2009, when they will be fully implemented.

In the 2008 General Session, the Legislature added 0.05% back to the general sales tax rate (4.65% to 4.70%), effective January 1, 2009, and committed the resulting revenue, approximately $22 million annually when fully implemented, to the Critical Highway Needs Fund and the Transportation Investment Fund. See "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 insurance premium tax, which is used to pay workers' compensation benefits; and various highway users' taxes, which are used for highway and road related purposes. Other taxes and fees collected by the State include severance taxes, a cigarette and tobacco tax, a wine and liquor tax, an inheritance tax, an environmental surcharge, a waste tire fee, and fish and game license fees. Other State revenue sources include license fees and other fees collected by colleges, universities and State departments.

For additional information regarding recent tax collection results and forecasts for 2009 tax collections, see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE BUILDING OWNERSHIP AUTHORITY AND THE STATE OF UTAH–Demographic And Economic Information Regarding The State Of Utah–Tax Collections."

State Revenues

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

	Fiscal Year Ended June 30 (in thousands)									
	2008	% (1)	2007	% (1)	2006	% (1)	2005	% (1)	2004	% (1)
Taxes	$5,693,425	60%	$5,797,563	62%	$5,281,485	60%	$4,467,665	59%	$3,989,188	57%
Federal contracts and grants	2,574,585	27	2,480,016	26	2,524,022	29	2,366,786	31	2,295,428	33
All other misc. revenues	1,227,345	13	1,084,752	12	972,222	11	729,830	10	694,951	10
Total all funds	$9,495,355	100%	$9,362,331	100%	$8,777,729	100%	$7,627,281	100%	$6,979,567	100%

(1) Percentage of total Governmental Fund Revenue.

(Source: Division of Finance.)

Revenue Summary. For Fiscal Year 2008, General Fund revenues from all sources totaled approximately $4.6 billion. Of this amount, 41% came from federal contracts and grants; 37% came from sales taxes; 9% came from federal mineral lease, investment income and miscellaneous and other revenues; 7% came from charges for services and licenses, permits and fees; and 6% came from other tax sources.

In the Education Fund for Fiscal Year 2008, revenues from all sources totaled approximately $3 billion. Of this amount, 86% came from individual income taxes and 14% came from business taxes.

In the Uniform School Fund for Fiscal Year 2008, revenues from all sources totaled approximately $466.2 million. Of this amount, 81% came from federal contracts and grants; 11% came from other miscellaneous revenue sources; and 8% came from investment income, charges for services and licenses, permits and fees.

In the Transportation Fund for Fiscal Year 2008, revenues from all sources totaled approximately $1.07 billion. Of this amount, 33% came from motor and special fuel taxes; 27% came from federal contracts and grants; 27% came from other miscellaneous unrestricted taxes and fees; and 13% came from charges for services and licenses, permits, and fees.

In the Transportation Investment Fund for Fiscal Year 2008, revenues from all sources totaled $213.5 million. Of this amount, 82% came from sales tax revenue; 11% came from motor vehicle registration fees; and 7% came from federal contracts and grants.

Additional Information. For information regarding historical financial summaries of the State's All Governmental Fund Types (Revenues by Source; Expenditures by Function; Changes in all Governmental Fund types; and Fund Balances) and General Fund (Revenues, Expenditures and Fund Balances), see "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE 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				
2009	2008	2007	2006	2005
$1,538.2 (1)	$3,033.4 (2)	$1,286.9	$703.1	$754.1

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

(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 2008–Notes To The Financial Statements–Note 3. Deposits and Investments" and "–Note 4. Investment Pool."

Investment of Bond Proceeds. Proceeds of the 2009 Bonds will be held by the Trustee and invested so as to be readily available. 2009 Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the MM Act.

Employee Workforce; Retirement System; Postemployment 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 2008—Notes to the Financial Statements—Note 16. Pension Plans."

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

The Legislature currently plans to contribute amounts to the OPEB Plan sufficient to fully fund the annual required contribution ("ARC"), an actuarially determined rate in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. As of Fiscal Year 2008, the current ARC of approximately $53.5 million is 7.2% of annual covered payroll. The State contributed $52 million and $53.5 million to the OPEB Plan in Fiscal Years 2008 and 2009, respectively. As of December 31, 2006, the actuarial accrued liability for benefits was $669.617 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability of $669.617 million. The State is in the process of engaging an actuarial firm to calculate its actuarial accrued liability for other postemployment benefits as of December 31, 2008. The State's actuarial accrued liability is calculated biannually.

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 2008—Notes to the Financial Statements—Note 17. Other 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 $700 million at any single building. The State has aggregate coverage of $400 million for earthquake and $300 million for 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 2008—Notes to the Financial Statements—Note 14. Litigation, Contingencies and Commitments."

As of June 30, 2009, the Administrative Services Risk Management Fund contained $43.584 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through Fiscal Year 2010. 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 2008—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 2009 Bonds questioning or in any matter relating to or affecting the validity of the 2009 Bonds.

On the date of the execution and delivery of the 2009 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 2009 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 2009 Bonds or such other documents as may be required in connection with the issuance and sale of the 2009 Bonds, or to comply therewith or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2009 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2009 Bonds are issued, the legality of the purposes for which the 2009 Bonds are issued, or the validity of the 2009 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 2008—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 2009 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 2009 Bonds as those payments come due or the State's ability to make its payment of Rentals as those payments come due.

Federal Income Tax Matters

The 2009B Bonds and the 2009 D Bonds

Excludability of Interest. In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, interest on the 2009B Bonds and the 2009D Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2009B Bonds and the 2009D Bonds, assuming the accuracy of the certifications of the Authority and the State and the continuing compliance by the Authority and the State with the requirements of the Code. Interest on the 2009B Bonds and the 2009D Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

The Internal Revenue Code of 1986, as amended, contains a number of requirements and restrictions which apply to the 2009B Bonds and the 2009D 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 2009B Bonds and the 2009D Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2009B Bonds and the 2009D Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the Authority and the State with such requirements and restrictions in rendering its opinion regarding the tax–exempt status of interest on the 2009B Bonds and the 2009D Bonds.

The 2009B Bonds and 2009D Bonds Original Issue Premium. All of the 2009B Bonds and all of the 2009D Bonds (collectively, the "Premium Bonds") are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Bond through reductions in the holders' tax basis in the Premium Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders of Premium Bonds should consult their tax advisors for an explanation of the amortization rules.

None of the 2009 Bonds are "qualified tax–exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The 2009C Bonds and the 2009E Bonds

Interest on the 2009C Bonds and the 2009E Bonds is not excludable from gross income for federal income tax purposes.

State Of Utah Income Tax

Bond Counsel is also of the opinion that interest on the 2009 Bonds is exempt from State of Utah individual income taxes under currently existing law.

No Further Opinion

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2009 Bonds.

Build America Bonds

General Description. In February 2009, as part of the Recovery Act, Congress added Sections 54AA and 6431 to the Code, which permit state or local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such bonds are referred to as Build America Bonds. A Build America Bond is a qualified bond under

Section 54AA(g) of the Code (a "Qualified Build America Bond") if it meets certain requirements of the Code and the related Treasury Regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Interest on Qualified Build America Bonds is not excluded from gross income for purposes of the federal income tax, and owners of Qualified Build America Bonds will not receive any tax credits as a result of ownership of such Qualified Build America Bonds when an issuer has elected to receive the Interest Subsidy Payments, as defined below.

Interest Subsidy Payments. Under Section 6431 of the Code, an issuer of a Qualified Build America Bond may apply to receive payments (the "Interest Subsidy Payments" or "Interest Subsidy Payment") directly from the Secretary of the U.S. Treasury (the "Secretary"). The amount of a Interest Subsidy Payment is set in Section 6431 of the Code at 35% of the corresponding interest payable on the related Qualified Build America Bond. To receive a Interest Subsidy Payment, under currently existing procedures, the issuer will have to file a tax return (now designated as Form 8038–CP) between 90 and 45 days prior to the corresponding bond interest payment date. The issuer should expect to receive the Interest Subsidy Payment contemporaneously with the interest payment date with respect to the Qualified Build America Bond. Depending on the timing of the filing and other factors, the Interest Subsidy Payment may be received before or after the corresponding interest payment date.

The 2009C Bonds and 2009E Bonds as Qualified Build America Bonds. The Authority and the State will treat the 2009C Bonds and the 2009E Bonds as Qualified Build America Bonds. As a result of this election, interest on the 2009C Bonds and the 2009E Bonds will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the 2009C Bonds and the 2009E Bonds will not be entitled to any tax credits as a result of either ownership of the 2009C Bonds and the 2009E Bonds or receipt of any interest payments on the 2009C Bonds and the 2009E Bonds. Holders of the 2009C Bonds and the 2009E Bonds should consult their tax advisors with respect to the inclusion of interest on the 2009C Bonds and the 2009E Bonds in gross income for federal income tax purposes.

The Authority and the State intend to apply for Interest Subsidy Payments from the Secretary under the "Build America Program" pursuant to Section 6431 of the Code.

No assurances are provided that the Authority and the State will receive Interest Subsidy Payments. The amount of any Interest Subsidy Payment is subject to legislative changes by Congress. Interest Subsidy Payments will only be paid if the 2009C Bonds and the 2009E Bonds are Qualified Build America Bonds. For the 2009C Bonds and the 2009E Bonds to be and remain Qualified Build America Bonds, the Authority and the State must comply with certain covenants and the Authority and the State must establish certain facts and expectations with respect to the 2009C Bonds and the 2009E Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a Interest Subsidy Payment after the 45th day prior to an interest payment date; therefor, if the Authority and the State fail to file the necessary tax return in a timely fashion, it is possible that the Authority and the State will never receive such Interest Subsidy Payments. Also, Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Authority and the State to an agency of the United States of America.

ERISA Considerations

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA ("ERISA Plans"). Section 406(a) of ERISA and Section 4975 of the Code prohibit certain transactions ("prohibited transactions") involving the assets of ERISA Plans or plans described in Section 4975(e)(1) of the Code (together with ERISA Plans, "Plans") and certain persons (referred to as "Parties–In–Interest" in ERISA and as "Disqualified Persons" in Section 4975 of the Code) having certain relationships to such Plans. A Party–In–Interest or Disqualified Person who engages in a non–exempt prohibited transaction may be subject to nondeductible excise taxes and other penalties and liabilities under ERISA and/or the Code.

Any of the Underwriters as a result of its own activities or because of the activities of an affiliate, may be considered a Party–In–Interest or a Disqualified Person with respect to certain Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if 2009C Bonds or the 2009E Bonds are acquired by a Plan with respect to which a Underwriter or its affiliate is a Party–In–Interest or Disqualified Person. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire 2009C Bonds or the 2009E Bonds and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption ("PTE") 90 1, regarding investments by insurance company pooled separate accounts; PTE 91 38, regarding investments by bank collective investment funds; PTE 84 14, regarding transactions effected by a "qualified professional asset manager"; PTE 96 23, regarding investments by certain in–house asset managers; and PTE 95 60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be constructed as prohibited transactions. With the objective of preventing prohibited transactions under ERISA of Section 4975 of the Code in connection with the acquisition of a 2009C Bond or a 2009E Bond by or on behalf of a Plan, each prospective purchaser of a 2009C Bond or a 2009E Bond that is a Plan or is acquiring on behalf of a Plan will be deemed to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such 2009C Bond or a 2009E Bond or (ii) the acquisition of such 2009C Bond or a 2009E Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase the 2009C Bonds or the 2009E Bonds should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the 2009C Bonds or the 2009E Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

General

The approving opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Authority and the State, concerning the validity of the 2009 Bonds, in substantially the form set out in "APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL" to this OFFICIAL STATEMENT, will be provided at the time of delivery of the 2009 Bonds. Copies of the opinion of Bond Counsel, in substantially the form set forth in "APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL" 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 2009 BONDS (except the portions under the captions "—General," "—Estimated Sources And Uses Of Funds," and "—Book–Entry System") and "LEGAL MATTERS—Federal Income Tax Matters," "—State Of Utah Income Tax" and "APPENDIX D—BASIC DOCUMENTATION" to the OFFICIAL STATEMENT. Bond Counsel also prepared and has reviewed "APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL" to the OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel's opinion on the 2009 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 2009 Bonds for sale.

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

MISCELLANEOUS

Bond Ratings

Moody's and S&P have rated the 2009 Bonds "Aa1," and "AA+," respectively, as of the date of this OFFICIAL STATEMENT.

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. The above ratings are not recommendations to buy, sell or hold the 2009 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 2009 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 2009 Bonds, the security therefore, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2009 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 2009 Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the 2009 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 2009 Bonds.

Underwriters

The Underwriters have agreed, subject to certain conditions, to purchase:

(i) all of the 2009B Bonds from the Authority at an aggregate price of $9,447,969.10 (which consists of a principal amount of $8,445,000.00; plus original issue premium of $1,043,946.90; less an Underwriter's discount of $40,977.80);

(ii) all of the 2009C Bonds from the Authority at an aggregate price of $16,583,526.78 (which consists of a principal amount of $16,715,000.00; less an Underwriter's discount of $131,473.22);

(iii) all of the 2009D Bonds from the Authority at an aggregate price of $13,736,162.20 (which consists of a principal amount of $12,125,000.00; plus original issue premium of $1,670,269.60; less an Underwriter's discount of $59,107.40); and

(iv) all of the 2009D Bonds from the Authority at an aggregate price of $88,766,248.16 (which consists of a principal amount of $89,470,000.00; less an Underwriter's discount of $703,751.84); and to make a public offering of the 2009 Bonds.

The Underwriters have advised the Authority that the 2009 Bonds may be offered and sold to certain dealers (including dealers depositing the 2009 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of the OFFICIAL STATEMENT and that such public offering prices may be changed from time to time.

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

Independent Auditor

The financial statements of the State as of June 30, 2008, 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 2009 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 2009 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/ Richard K. Ellis

Richard K. Ellis, Secretary
State Building Ownership Authority

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APPENDIX A

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2008

The Basic Financial Statements and Required Supplementary Information of the State for Fiscal Year 2008 are contained herein. This information has been extracted from the State's Fiscal Year 2008 CAFR and such pages numbers may not be in numerical order. Copies of current and prior financial reports are available on the internet and upon request from the contact person as indicated under "INTRODUCTION—Contact Persons" above.

The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the 24th consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2008.

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

The State's CAFR for Fiscal Year 2009 must be completed under State law by December 31, 2009.

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STATE OF UTAH

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Stan Godfrey, CPA
Jon T. Johnson, CPA

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, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Utah Housing Corporation, Utah Public Employees Health Program, the University of Utah's hospital and component units, the Utah State University Research Foundation, certain other college and university foundations, the Dairy Commission, and the Utah State Retirement Systems, which represent 39 percent of the assets and 40 percent of the revenues of the aggregate discretely presented component units and 72 percent of the assets and 20 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 4, 2008, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 14 through 24 and the required supplementary information on pages 114 through 123 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the supplementary information – combining statements and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information – combining statements and individual fund statements and schedules on pages 128 through 187 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section on pages 1 through 10 and the statistical section on pages 191 through 229 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Auston G. Johnson, CPA
Utah State Auditor
December 4, 2008

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, 2008. 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 $729.8 million or 4.6 percent over the prior year. Net assets of governmental activities increased $562.4 million or 4.1 percent due primarily to investments in capital assets made possible by resources carried forward from fiscal year 2007 and resources budgeted for projects in fiscal year 2008. Net assets of business-type activities also grew by $167.4 million or 7.2 percent as a result of additional capital for loan programs provided from dedicated sales tax revenues, federal grants, and mineral lease revenues; and in part to revenues from employers' unemployment premiums exceeding benefit payments.

Fund Level

- Overall, sales tax revenues in the governmental funds declined by 3.7 percent. Combined tax revenues were 6.6 percent lower in the General Fund and 1 percent lower in the Education Fund than the prior year. Sales tax revenue in the General Fund declined by 8.1 percent due to a weakening economy, diversion of sales tax revenues by the Legislature to fund highway projects, and general sales tax reductions of 0.1 percent as well as 1 percent on unprepared food, effective January 1, 2008. In fiscal year 2007, and early in fiscal year 2008, Utah's economic expansion was above that of the national economy. During the later part of fiscal year 2008, the slowdown in the national economy began to impact Utah causing the local economy to weaken

- The General Fund, Education Fund, and Uniform School Fund ended the fiscal year with a zero dollar surplus by using $28.8 million of General Fund and $45.6 million of Education Fund and Uniform School Fund originally designated and budgeted to be used for fiscal year 2009, to cover revenue shortfalls that occurred in fiscal year 2008.

- Balances in the General Fund Budget Reserve Account ("Rainy Day Fund") and the Education Budget Reserve Account are at an all time high of $194.3 million and $234.7 million, respectively, as a result of appropriations to these funds authorized by the Legislature.

Long-term Debt

- The State's long-term bonded debt decreased a net $157.7 million or 4.2 percent in part through the payment of principal balances on outstanding debt and also due to cash defeasances on several revenue bonds, despite the issuance of general obligation and revenue bonds during the fiscal year to fund capital facility, highway construction, and student loan programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements — Reporting the State as a Whole

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

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

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

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

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

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

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

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

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

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

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

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

Required Supplementary Information (RSI)
Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and condition assessment data related to infrastructure. In addition, the RSI includes schedules on the funded status and employer

contributions for the State's defined benefit Other Postemployment Benefit Plan. RSI further supports the information in the basic financial statements.

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets
The State's total net assets increased $729.8 million or 4.6 percent in fiscal year 2008. In comparison, net assets in the prior year increased $1.972 billion or 14.1 percent. This increase in total net assets resulted from the active management of state resources. The change in net assets is comprised of the following:

- *Invested in Capital Assets* – Total net capital assets increased $982.5 million or 10.4 percent as the State's investment in highways and buildings exceeded depreciation and net additional debt used to finance projects.
- *Restricted Net Assets* – Total restricted net assets decreased $325 million or 7.4 percent over the prior year. The $425 million decrease in restricted net assets of governmental activities was caused by a $556.3 million decrease in nonexpendable net assets for public education due to expenses and transfers out exceeding revenues and net assets budgeted and carried forward from the prior year and used to cover operating shortfalls. However, this decrease was partially offset by a $99.9 million increase in transportation net assets due to net transfers (appropriations) for highway projects and an increase of $30.6 million in nonexpendable net assets generated primarily from the sale of trust lands in the Permanent Trust Lands Fund. Restricted net assets in business-type activities increased $100.1 million primarily due to unemployment compensation revenues exceeding related claims by $50.7 million, and an increase of $49.9 million in additional loan capital in various loan programs provided by investment income and federal grants.
- *Unrestricted Net Assets* – Total unrestricted net assets in governmental activities increased only slightly by $5.8 million or 0.5 percent. The increase of $66.5 million in unrestricted net assets in business-type activities is primarily due to the State providing additional capital to loan funds from mineral lease and dedicated sales tax revenues.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Current and Other Assets	$ 5,092,823	$ 5,450,206	$ 4,770,529	$ 4,564,541	$ 9,863,352	$ 10,014,747
Capital Assets	11,627,282	10,878,861	61,021	52,462	11,688,303	10,931,323
Total Assets	**16,720,105**	**16,329,067**	**4,831,550**	**4,617,003**	**21,551,655**	**20,946,070**
Current and Other Liabilities	869,300	841,033	57,036	45,937	926,336	886,970
Long-term Liabilities	1,615,550	1,815,220	2,287,956	2,251,886	3,903,506	4,067,106
Total Liabilities	**2,484,850**	**2,656,253**	**2,344,992**	**2,297,823**	**4,829,842**	**4,954,076**
Net Assets:						
Invested in Capital Assets, Net of Related Debt	10,447,357	9,465,667	13,837	13,008	10,461,194	9,478,675
Restricted	2,618,556	3,043,599	1,434,828	1,334,737	4,053,384	4,378,336
Unrestricted	1,169,342	1,163,548	1,037,893	971,435	2,207,235	2,134,983
Total Net Assets	**$ 14,235,255**	**$ 13,672,814**	**$ 2,486,558**	**$ 2,319,180**	**$ 16,721,813**	**$ 15,991,994**
Percent change in total net assets from prior year	4.1 %		7.2 %		4.6 %	

The largest component of the State's net assets, 62.6 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 24.2 percent of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted by the *Constitution of Utah* include income and corporate taxes that can be used only for public and higher education costs and motor fuel taxes that can be used only for transportation expenses.

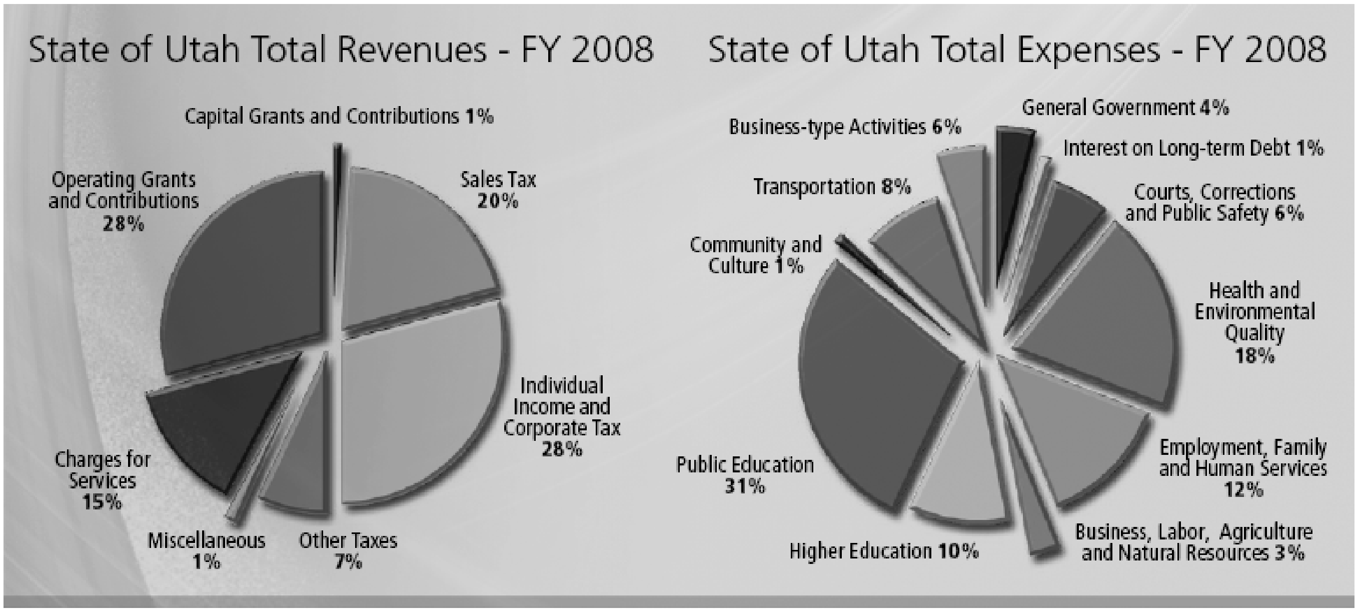
The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations, though certain laws and internally imposed designations of resources further limit the purposes for which many of those net assets may be used.

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2008.

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
	2008	2007	2008	2007	2008	2007	2007 to 2008
Revenues							
General Revenues:							
Taxes	$ 5,535,750	$ 5,885,196	$ 23,462	$ 25,440	$ 5,559,212	$ 5,910,636	(5.9)%
Other General Revenues	132,586	179,503	—	877	132,586	180,380	(26.5)%
Program Revenues:							
Charges for Services	933,371	732,481	557,470	597,727	1,490,841	1,330,208	12.1 %
Operating Grants and Contributions	2,658,284	2,769,644	143,853	138,252	2,802,137	2,907,896	(3.6)%
Capital Grants and Contributions	144,867	122,939	—	—	144,867	122,939	17.8 %
Total Revenues	**9,404,858**	**9,689,763**	**724,785**	**762,296**	**10,129,643**	**10,452,059**	(3.1)%
Expenses							
General Government	385,331	328,779	—	—	385,331	328,779	17.2 %
Human Services and Youth Corrections	679,920	634,265	—	—	679,920	634,265	7.2 %
Corrections, Adult	255,319	237,305	—	—	255,319	237,305	7.6 %
Public Safety	191,910	172,912	—	—	191,910	172,912	11.0 %
Courts	125,587	115,811	—	—	125,587	115,811	8.4 %
Health and Environmental Quality	1,649,209	1,620,936	—	—	1,649,209	1,620,936	1.7 %
Higher Education	912,998	824,503	—	—	912,998	824,503	10.7 %
Employment and Family Services	423,122	393,938	—	—	423,122	393,938	7.4 %
Natural Resources	159,955	174,711	—	—	159,955	174,711	(8.4)%
Community and Culture	132,687	108,110	—	—	132,687	108,110	22.7 %
Business, Labor, and Agriculture	95,563	92,441	—	—	95,563	92,441	3.4 %
Public Education	2,959,311	2,548,391	—	—	2,959,311	2,548,391	16.1 %
Transportation	850,387	702,833	—	—	850,387	702,833	21.0 %
Interest on Long-term Debt	58,851	64,019	—	—	58,851	64,019	(8.1)%
Student Assistance Programs	—	—	164,411	174,220	164,411	174,220	(5.6)%
Unemployment Compensation	—	—	148,424	97,692	148,424	97,692	51.9 %
Water Loan Programs	—	—	10,477	13,042	10,477	13,042	(19.7)%
Other Business-type Activities	—	—	196,362	176,261	196,362	176,261	11.4 %
Total Expenses	**8,880,150**	**8,018,954**	**519,674**	**461,215**	**9,399,824**	**8,480,169**	10.8 %
Excess Before Transfers	524,708	1,670,809	205,111	301,081	729,819	1,971,890	
Transfers	37,733	46,778	(37,733)	(46,778)	—	—	
Change in Net Assets	**562,441**	**1,717,587**	**167,378**	**254,303**	**729,819**	**1,971,890**	
Net Assets – Beginning	13,672,814	11,955,227	2,319,180	2,064,877	15,991,994	14,020,104	
Net Assets – Ending	**$ 14,235,255**	**$ 13,672,814**	**$ 2,486,558**	**$ 2,319,180**	**$ 16,721,813**	**$ 15,991,994**	4.6 %

(*Charts on next page*.)



Changes in Net Assets

This year the State received 54.9 percent of its revenues from state taxes and 29.1 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 56.5 percent and grants and contributions were 29 percent of total revenues. Charges for goods and services such as licenses, permits, liquor sales, park fees, and court fees, combined with other miscellaneous collections, comprised 16 percent of total revenues in fiscal year 2008, compared to 14.5 percent in fiscal year 2007.

Governmental Activities

The State's total governmental revenues from all sources decreased $284.9 million or 2.9 percent. Tax revenues decreased $349.4 million or 5.9 percent. This decrease in taxes reflects weakening economic conditions and is similar to the decrease at the fund level. However, due to differences in measurement focus and timing of collections, the decrease at the government-wide level should not be used to predict future decreases at the fund statement or budget level. With the exception of natural resources, other significant changes in governmental activities' revenues and expenses mirror the changes in the General Fund. For further discussion of these changes, see the section entitled "General Fund" on page 20. For fiscal year 2008, natural resources expenses decreased $14.8 million compared to the prior year due to an increase in capital outlay for new buildings and the purchase of land. This increase in capital outlay is reflected as capital assets on the government-wide statements, but shown as expenditures on the governmental fund statements.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2008, state taxes and other general revenues covered 57.9 percent of expenses. The remaining $3.736 billion or 42.1 percent of the total expenses were covered by charges for services and grants.

(*Table on next page*.)

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

	Program Expenses	Less Program Revenues	Net Program (Expenses) / Revenues		Program Revenues as a Percentage of Program Expenses	
	2008	2008	2008	2007	2008	2007
General Government	$ 385,331	$ 429,116	43,785	$ 20,072	111.4 %	106.1 %
Human Services and Youth Corrections	679,920	305,524	(374,396)	(347,268)	44.9 %	45.2 %
Corrections, Adult	255,319	6,799	(248,520)	(232,671)	2.7 %	2.0 %
Public Safety	191,910	116,336	(75,574)	(71,792)	60.6 %	58.5 %
Courts	125,587	47,135	(78,452)	(68,996)	37.5 %	40.4 %
Health and Environmental Quality	1,649,209	1,256,246	(392,963)	(395,089)	76.2 %	75.6 %
Higher Education	912,998	1,353	(911,645)	(822,143)	0.1 %	0.3 %
Employment and Family Services	423,122	358,395	(64,727)	(63,523)	84.7 %	83.9 %
Natural Resources	159,955	105,305	(54,650)	(64,099)	65.8 %	63.3 %
Community and Culture	132,687	43,468	(89,219)	(64,015)	32.8 %	40.8 %
Business, Labor, and Agriculture	95,563	78,350	(17,213)	(17,919)	82.0 %	80.6 %
Public Education	2,959,311	420,618	(2,538,693)	(1,982,632)	14.2 %	22.2 %
Transportation	850,387	567,877	(282,510)	(219,796)	66.8 %	68.7 %
Interest and Charges on Long-term Debt	58,851	—	(58,851)	(64,019)		
Total Governmental Activities	**$ 8,880,150**	**$ 3,736,522**	**$ (5,143,628)**	**$ (4,393,890)**	42.1 %	45.2 %

Business-type Activities

Revenues from the State's business-type activities decreased $37.5 million or 4.9 percent from the prior year. The decrease is primarily due to a $62.1 million decrease in revenue from employer taxes in the unemployment compensation fund as lower claims in prior years resulted in lower employment taxes. This decrease was offset by a $24.5 million increase in liquor sales, due to higher sales volume. Total expenses for the State's business-type activities increased $58.5 million or 12.7 percent. The increase is largely due to a $50.7 million increase in payments for unemployment benefits caused in large part by weakness in residential construction.

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

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2008, the State's governmental funds reported combined ending fund balances of $3.785 billion. Of this amount, $2.338 billion or 61.8 percent is reserved for specific programs by state law, external constraints, or contractual obligations. Unspent bond proceeds, balances of restricted accounts, and agencies' nonlapsing balances are included in reserved fund balance. An additional $1.134 billion or 30 percent of total fund balances has been designated through internally imposed limitations on uses of certain funds. Note 11 on page 99 provides more details about reserved and designated fund balances at June 30, 2008. The remaining $312.5 million or 8.3 percent of fund balance is available for appropriation for the general purposes of the funds.

(*Table on next page*.)

State of Utah
Governmental Fund Balances as of June 30, 2008
(Expressed in Thousands)

	General Fund	Education Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund	Trust Lands Fund	Nonmajor Funds	Total
Reserved	$ 470,800	$ —	$ 189,578	$ 216,369	$ 182,856	$ 1,014,449	$ 264,217	$ 2,338,269
Unreserved Designated	394,068	413,998	183,218	44,602	17,016	—	81,536	1,134,438
Unreserved Undesignated	—	—	—	249,655	—	—	62,838	312,493
Total	**$ 864,868**	**$ 413,998**	**$ 372,796**	**$ 510,626**	**$ 199,872**	**$ 1,014,449**	**$ 408,591**	**$ 3,785,200**
Percent change from prior year	(19.9)%	(26.9)%	(42.8)%	56.1 %	54.0 %	3.1 %	44.3 %	(5.9)%

General Fund

During fiscal year 2008, the General Fund's total fund balance decreased $214.7 million or 19.9 percent. This decrease was due in large part to sales tax revenues coming in $55.9 million less than budgeted and also because the amount of fund balance designated as carry over for the next year's appropriations was reduced as explained in the following paragraph.

The General Fund ended fiscal year 2008 with a zero dollar surplus, or unreserved undesignated fund balance, by using $28.8 million of the $48.8 million of General Fund budgeted revenues set aside for fiscal year 2009. This left $20 million set aside in the budget and designated by the Legislature for fiscal year 2009 appropriations, compared to $223.6 million set aside for the next year's appropriations as reported in the prior year. In the event of a surplus, State law requires 25 percent of any revenue surplus in the General Fund to be transferred to the General Fund Budget Reserve Account ("Rainy Day Fund"), an account within the General Fund. Although there was not a revenue surplus in the General Fund, the Legislature appropriated $16.2 million to the General Fund Budget Reserve Account for fiscal year 2008. The balance in the General Fund Budget Reserve Account, reported as part of unreserved designated fund balance, ended fiscal year 2008 at an all-time high of $194.3 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues decreased $72.8 million or 1.6 percent from the prior year. Total tax collections decreased $140.9 million or 6.6 percent. The major decrease in tax revenues was sales tax, which decreased $150.1 million or 8.1 percent, due in part to a weakening economy and to sales tax revenue that was diverted to fund transportation projects as discussed in the section entitled "Transportation Fund" on page 21. The Legislature also reduced the general state sales tax rate by 0.1 percent and reduced the tax on unprepared food by 1 percent, effective January 1, 2008. Federal contracts and grants increased by $73.5 million or 4 percent and was the largest single factor in increasing non-tax revenues for the fiscal year. Charges for services increased $32.3 million or 12.1 percent. Both increases were driven by demand for services. The increase in revenues was offset by a decrease in investment income of $18.8 million or 19.9 percent due to lower interest rates and a decrease in miscellaneous and other revenues of $7.6 million or 4.6 percent.

Total General Fund expenditures increased by $329.6 million or 7.3 percent. The increase was due in part to a 3.5 percent cost-of-living adjustment (COLA) provided for state employees, an additional 1.5 percent for discretionary pay increases for employees, and a 9.8 percent increase in health benefit costs. Significant changes in expenditures also occurred in the following areas:

- *General Government* – Total expenditures in this category increased $43.4 million. In addition to salary and benefit increases, additional funding was provided for the science and technology initiative (USTAR), various economic activities, and new criminal and juvenile justice programs.
- *Higher Education* – Total expenditures in this category were up $95.5 million, primarily due to additional appropriations for increases in employee salary and health benefits, student financial aid, and fuel and power costs. Additional funding was also provided for the operation and maintenance of new facilities.
- *Human Services and Youth Corrections* – Total expenditures in this category increased $50.7 million due to increased funding and demand for child and family services, people with disabilities, and substance abuse and mental health services.
- *Health and Environmental Quality* – Total expenditures in this category were up $27.6 million, primarily due to increased Medicaid program costs resulting from caseload growth and inflationary increases for Medicaid provider rates. Higher expenditures in community and family health services also contributed to the increase.
- *Employment and Family Services* – Total expenditures in this category increased $26.1 million primarily due to the transfer of $14.8 million from the Department of Health to the Department of Workforce Services to consolidate Medicaid eligibility services. Higher expenditures in general assistance and child care also contributed to the increase.
- *Community and Culture* – Total expenditures in this category were up $22.2 million due to increases for housing and

community development and new funding for arts and museums. In addition, the Pete Suzao Utah Athletic Commission was moved from the Department of Commerce to the newly created Utah Sports Authority. This change resulted in a shift of expenditures to the Community and Culture function.

Budgetary Highlights — General Fund

The Legislature adopted the initial fiscal year 2008 budget during the 2007 General Session. The original revenue estimates in the General Fund budget at the start of fiscal year 2008, excluding department-specific revenue sources such as federal grants and departmental collections, and including miscellaneous transfers, were 3.1 percent higher than the final fiscal year 2007 budget. Budgeted expenditures were 15.2 percent higher than the final fiscal year 2007 budget. The expected revenue increase along with funds designated and set aside from fiscal year 2007 were used to fund this increase. The Legislature increased funding for employee salaries and benefits and addressed other program needs, particularly in higher education and health and human services. They also avoided additional general obligation debt by transferring general fund monies to other funds for roads, bridges, and buildings.

The budget was again addressed during the 2008 General Session of the Legislature (January to March 2008). General revenue estimates, primarily sales and use tax, increased $47.8 million over the original adopted in the 2007 General Session, allowing the Legislature to designate $48.8 million of expected excess revenue for fiscal year 2009 appropriations. However, as a result of actual revenue shortfalls identified late in fiscal 2008, the set-aside funds for fiscal year 2009 were reduced to $20 million.

Final budgets of department-specific revenue sources increased over original budgets; and actual department-specific revenues increased over final budgets mostly due to an increase in departmental collections. Final budgets for many of the departmental-specific revenue sources and related expenditures such as federal grants, departmental collections, and miscellaneous revenues, are generally revised based on actual collections. The difference between final budgeted expenditures and actual expenditures is primarily due to nonlapsing and unspent restricted funds that will be carried forward to the next year. However, $2.1 million of unspent budgeted dollars were lapsed back to the General Fund by agencies.

Education Fund

Fund balance in the Education School Fund decreased $152.7 million or 26.9 percent from the prior year because transfers out exceeded revenues, which reduced the beginning fund balance. Corporate taxes decreased slightly by $1.3 million or 0.3 percent and individual income taxes decreased $28.9 million or 1.1 percent. There are no expenditures reported in the Education Fund. However, $3.176 billion was transferred out to fund public and higher education. Of this amount, the Uniform School Fund received $2.319 billion, the General Fund received $728.1 million for public and higher education, and the Nonmajor Governmental Funds received $128.1 million for debt service and capital projects.

The Education Fund ended fiscal year 2008 with a zero dollar surplus, or unreserved undesignated fund balance, by using $45.6 million of combined Education and Uniform School Fund budgeted revenues designated and set aside for fiscal year 2009 to cover revenue shortfalls from fiscal year 2008. In the event of a surplus, State law requires 25 percent of any revenue surplus in the Education Fund to be transferred to the Education Budget Reserve Account, an account within the Education Fund. Although there was not a revenue surplus in the Education Fund, the Legislature appropriated $84.2 million to the fund for fiscal year 2008 to be used for any future budget shortfalls in education. The Education Budget Reserve Account ended the fiscal year with a balance of $234.7 million.

Uniform School Fund

Fund balance in the Uniform School Fund decreased $278.9 million or 42.8 percent from the prior year because expenditures exceeded revenues and transfers in, which reduced the beginning fund balance. Revenues increased by $14.7 million or 3.3 percent, primarily due to an increase in federal contracts and grants. Public education expenditures increased $413.4 million or 16.2 percent as the Legislature increased funding for educator salaries and benefits, enrollment growth, and increased operating costs. The Uniform School Fund ended the year with a zero dollar surplus, or unreserved undesignated fund balance, by using budgeted revenues designated and set aside for fiscal year 2009, as noted in the preceding paragraph.

Transportation Fund

Fund balance in the Transportation Fund increased $183.6 million or 56.1 percent from the prior year. The increase was due in part to an increase in sales and use tax as a result of House Bill 314, *Transportation Fund Revisions*. The bill directed $90 million of ongoing sales and use tax revenue into the fund for highway projects. In addition, fund balance was increased by net transfers (appropriations) into the fund for highway projects and general obligation bond proceeds, most of which were unspent at June 30, 2008. Revenues increased by $196.3 million due in part to the additional sales tax diverted to the fund, as explained above. Other restricted sales tax revenue increased $26.4 million or 91.3 percent due in large part to the reallocation and removal of the cap on certain sales and use tax revenue deposited in the fund. In addition, federal contracts and grants increased by $28.7 million or 11.3

percent and aeronautics revenue increased $24.1 million or 54.7 percent due to an increase in federal funding for airport construction. Expenditures increased by $241.7 million or 28.2 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 existing weather conditions. In addition, the Department of Transportation has discretion on allocating federal funds among projects, which impacts the amount of federal revenue reported in the Transportation Fund and Transportation Investment Fund.

Transportation Investment Fund
Fund balance in the Transportation Investment Fund increased by $70.1 million or 54 percent from the prior year as a result of net transfers (appropriations) into the fund for highway construction projects. Revenues in the fund decreased $55.4 million or 20.6 percent primarily due to declining sales and use tax collections of $44.7 million. Federal contracts and grants revenue also decreased $9.7 million or 40.2 percent as federal funding for Centennial Highway Projects slowed for projects nearing completion. Expenditures increased by $9.2 million or 2.5 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 $30.6 million or 3.1 percent due to revenues generated from land use and sales of trust lands. The permanent fund also generated $27.6 million of cash investment earnings for the Uniform School Fund that is earmarked for distribution to local school districts. The principal in the fund is held in perpetuity with earnings restricted primarily to support public education.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs
The Student Assistance Programs finished the year with an increase in net assets of $14.2 million or 4.9 percent. The increase was largely due to a reduction of interest expense on variable rate bonds and favorable net interest margins on student loans and investments. Federal reinsurance reimbursements increased $2.4 million or 7.1 percent due to an increase in defaulted loan claims submitted by lenders. Of total net assets of $301.9 million, $209.8 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 has increased compared to the rate one year ago as the slowdown in the national economy weighed upon Utah's economy. The upward trend in the unemployment rate resulted in a $50.7 million or 51.9 percent increase in benefit payments from the prior year. However, for the fourth consecutive year, employer taxes and other revenues exceeded benefit payments. Assets were sufficient to handle the demand for benefits, and net assets increased $50.2 million or 6 percent, to $888.2 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 $47.4 million or 7.4 percent from the prior year. Additional capital for loans was provided from $22.9 million in dedicated sales tax revenues, $19.4 million in federal grants, and $1.7 million of net operating revenues in the fund. Loans receivable for the programs increased $33.8 million or 6.1 percent over the prior year as additional funds were available for loans. Of total net assets of $690.1 million, $288.2 million is restricted for use within the Water Loan Programs by federal grant requirements.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets
The State's capital assets increased a net $757 million during the year. The change consisted of net increases in infrastructure (e.g., highways) of $129.8 million; land and related assets of $62.2 million; and buildings, improvements, and construction in progress of $555.5 million. Machinery and equipment increased a net $9.5 million during the year. Several buildings financed by the State are actually owned by the colleges and universities, which are discrete component units of the State. Therefore, while the capital assets are on the component unit's financial statements, any outstanding debt issued by the State to finance construction of those assets is reported as a liability of the State's governmental activities. This in turn reduces unrestricted net assets. As of June 30, 2008, the State had $124.5 million of outstanding debt related to capital assets of component units.

At June 30, 2008, the State had $181.4 million in commitments for building projects in its capital projects funds and $811.6 million ($169.8 million in the Transportation Investment Fund and $641.8 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 2007, indicated that 62.6 percent of the roads were in "fair" or better condition. Only 12.4 percent of the roads assessed were in "very poor" condition. These results reflect a slight decline from conditions in calendar year 2006, when 64.5 percent of the roads were assessed as "fair" or better, and 11.3 percent assessed were in "very poor" condition.

The State's established condition level for bridges is to maintain 50 percent with a rating of "good" and no more than 15 percent of bridges with a "poor" rating. The most recent condition assessment, completed in April 2008, indicated that 72 percent and 2 percent of bridges were in "good" and "poor" condition, respectively. These results are similar to the prior year.

During fiscal year 2008, the State spent $586.4 million to maintain and preserve roads and bridges. This amount is 18.7 percent above the estimated amount of $494 million needed to maintain these assets at established condition levels.

More information about capital assets is included in Note 8 on page 85, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on page 113.

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, 2008, the State was $680.3 million below the statutory debt limit and $3.035 billion below the debt limit established in the *Constitution*.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2007 to 2008**
General Obligation Bonds	$ 1,198.0	$ 1,284.0	$ —	$ —	$ 1,198.0	$ 1,284.0	(6.7)%
Revenue Bonds:							
State Building Ownership Auth.	162.3	275.5	51.0	37.0	213.3	312.5	(31.7)%
Student Assistance Programs	—	—	2,165.2	2,137.7	2,165.2	2,137.7	1.3 %
Total Bonds Payable	**$ 1,360.3**	**$ 1,559.5**	**$ 2,216.2**	**$ 2,174.7**	**$ 3,576.5**	**$ 3,734.2**	(4.2)%

Total bonds payable decreased $157.7 million in part through the payment of principal balances on outstanding debt and also due to cash defeasances of $69.2 million on several revenue bonds of the State Building Ownership Authority that did not result in the issuance of new debt. However, the State issued $75 million of general obligation bonds during the fiscal year. Of the general obligation bonds issued, $69 million was for highway construction and $6 million was for capital facility construction. In addition, the State issued a total of $115.1 million of revenue bonds. Of the revenue bonds issue, $15.4 million was to provide for capital facility construction and $99.7 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 from all three national rating agencies, and double-A rating on lease revenue bonds from two national rating agencies from which ratings were sought. These ratings are the best available and save millions of dollars in interest each year because the State is able to obtain very favorable interest rates on new debt. Note 10 beginning on page 89 contains more information about the State's outstanding debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Original general revenue estimates for the General Fund and Education Fund for fiscal year 2009 were higher than original general revenue estimates for fiscal year 2008. In early fiscal year 2009, revenue estimates for fiscal year 2009 were revised downward as the economy contracted and sales and other taxes were estimated to be $272.4 million less than anticipated. In September 2008, the 2008 Second Special Session of the Legislature was called by the Governor to address the fiscal year 2009 revenue shortfalls. During the special session, the Legislature reduced most agencies' fiscal year 2009 budgets by 3 percent, and made other budget adjustments as necessary to balance the budget. Public education was held harmless from these early budget cuts. The previous increase in ongoing money appropriated for capital projects was also reduced.

Preliminary data for fiscal year 2009 show revenues are expected to be lower than 2009 budget estimates revised during the recent special session. Total tax revenues are expected to decrease in fiscal year 2009. The average unemployment rate is expected to increase in 2008 to 3.7 percent, up from the average 2007 rate of 2.7 percent. Taxable retail sales are expected to grow only 0.5 percent in 2008 and decline (1.6) percent in 2009. Personal income is expected to grow 4.5 percent in 2008 and only 0.5 percent in 2009. 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 2009. The Governor and Legislature are expected to review the fiscal year 2009 budget again during the upcoming 2009 General Session and take action as necessary to balance the budget.

CONTACTING THE STATE'S DIVISION OF FINANCE

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

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

BASIC FINANCIAL STATEMENTS

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Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 1,609,624	$ 1,282,899	$ 2,892,523	$ 853,962
Investments	950,549	270,222	1,220,771	1,396,296
Taxes Receivable, net	833,731	—	833,731	—
Accounts and Interest Receivable, net	600,660	140,387	741,047	455,828
Amounts Due From:				
Component Units	35,853	17	35,870	—
Primary Government	—	—	—	47
Prepaid Items	1,054	3,839	4,893	27,019
Inventories	18,718	28,610	47,328	54,042
Internal Balances	27,457	(27,457)	—	—
Restricted Investments	955,884	78,130	1,034,014	1,055,067
Deferred Charges	2,461	25,299	27,760	104,817
Notes/Loans/Mortgages/Pledges Receivable, net	13,172	2,968,583	2,981,755	1,414,461
Other Assets	43,660	—	43,660	14,003
Capital Assets:				
Land and Related Non-depreciable Assets	908,448	13,216	921,664	161,622
Infrastructure	7,976,676	—	7,976,676	—
Construction in Progress	1,557,346	1,299	1,558,645	241,839
Buildings, Equipment, and Other Depreciable Assets	2,016,431	70,767	2,087,198	4,351,293
Less Accumulated Depreciation	(831,619)	(24,261)	(855,880)	(1,993,806)
Total Capital Assets	11,627,282	61,021	11,688,303	2,760,948
Total Assets	16,720,105	4,831,550	21,551,655	8,136,490
LIABILITIES				
Accounts Payable and Accrued Liabilities	798,949	43,539	842,488	279,940
Amounts Due to:				
Component Units	47	—	47	—
Primary Government	—	—	—	35,870
Securities Lending	—	—	—	12,557
Unearned Revenue	70,304	13,334	83,638	73,154
Deposits	—	163	163	138,642
Long-term Liabilities (Note 10)				
Due Within One Year	273,735	12,166	285,901	259,251
Due in More Than One Year	1,341,815	2,275,790	3,617,605	2,323,142
Total Liabilities	2,484,850	2,344,992	4,829,842	3,122,556
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,447,357	13,837	10,461,194	2,189,930
Restricted for:				
Transportation	407,838	—	407,838	—
Public Education – Expendable	1,059,208	—	1,059,208	—
Public Education – Nonexpendable	1,014,449	—	1,014,449	—
Higher Education – Expendable	—	—	—	871,516
Higher Education – Nonexpendable	—	—	—	530,455
Debt Service	2,769	—	2,769	170,652
Unemployment Compensation and Insurance Programs	8,002	888,220	896,222	103,750
Loan Programs	2,670	546,608	549,278	—
Other Purposes – Expendable	123,620	—	123,620	45
Unrestricted	1,169,342	1,037,893	2,207,235	1,147,586
Total Net Assets	$ 14,235,255	$ 2,486,558	$ 16,721,813	$ 5,013,934

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, 2008 (Expressed in Thousands)

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	$ 385,331	$ 257,537	$ 171,579	$ —
Human Services and Youth Corrections	679,920	10,840	294,684	—
Corrections, Adult	255,319	5,332	1,467	—
Public Safety	191,910	49,247	67,089	—
Courts	125,587	46,517	618	—
Health and Environmental Quality	1,649,209	65,666	1,190,580	—
Higher Education	912,998	31	1,322	—
Employment and Family Services	423,122	7,413	350,982	—
Natural Resources	159,955	64,407	40,898	—
Community and Culture	132,687	5,278	38,190	—
Business, Labor, and Agriculture	95,563	68,622	9,728	—
Public Education	2,959,311	100,919	319,699	—
Transportation	850,387	251,562	171,448	144,867
Interest and Other Charges on Long-term Debt	58,851	—	—	—
Total Governmental Activities	8,880,150	933,371	2,658,284	144,867
Business-type:				
Student Assistance Programs	164,411	117,246	61,382	—
Unemployment Compensation	148,424	157,624	41,540	—
Water Loan Programs	10,477	12,135	24,859	—
Other Business-type Activities	196,362	270,465	16,072	—
Total Business-type Activities	519,674	557,470	143,853	0
Total Primary Government	$ 9,399,824	$ 1,490,841	$ 2,802,137	$ 144,867
Component Units:				
Utah Housing Corporation	$ 94,803	$ 107,920	$ —	$ —
Public Employees Health Program	577,121	591,424	16,214	—
University of Utah	2,310,805	1,716,293	396,157	55,512
Utah State University	464,360	134,226	222,891	28,986
Nonmajor Colleges and Universities	815,854	324,548	164,301	45,275
Nonmajor Component Units	62,582	27,375	2,550	—
Total Component Units	$ 4,325,525	$ 2,901,786	$ 802,113	$ 129,773

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

Adjustments to Beginning Net Assets

Net Assets—Beginning as Adjusted

Net Assets—Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ 43,785	$ —	$ 43,785	$ —
(374,396)	—	(374,396)	—
(248,520)	—	(248,520)	—
(75,574)	—	(75,574)	—
(78,452)	—	(78,452)	—
(392,963)	—	(392,963)	—
(911,645)	—	(911,645)	—
(64,727)	—	(64,727)	—
(54,650)	—	(54,650)	—
(89,219)	—	(89,219)	—
(17,213)	—	(17,213)	—
(2,538,693)	—	(2,538,693)	—
(282,510)	—	(282,510)	—
(58,851)	—	(58,851)	—
(5,143,628)	0	(5,143,628)	0
—	14,217	14,217	—
—	50,740	50,740	—
—	26,517	26,517	—
—	90,175	90,175	—
0	181,649	181,649	0
(5,143,628)	181,649	(4,961,979)	0
—	—	—	13,117
—	—	—	30,517
—	—	—	(142,843)
—	—	—	(78,257)
—	—	—	(281,730)
—	—	—	(32,657)
0	0	0	(491,853)
2,006,926	23,462	2,030,388	—
2,435,059	—	2,435,059	—
409,794	—	409,794	—
350,426	—	350,426	—
333,545	—	333,545	—
5,535,750	23,462	5,559,212	0
63,947	—	63,947	1,459
—	—	—	810,892
—	—	—	34,735
26,980	—	26,980	—
41,659	—	41,659	—
—	—	—	32,997
37,733	(37,733)	—	—
5,706,069	(14,271)	5,691,798	880,083
562,441	167,378	729,819	388,230
13,672,814	2,319,180	15,991,994	4,644,378
—	—	—	(18,674)
13,672,814	2,319,180	15,991,994	4,625,704
$14,235,255	$ 2,486,558	$ 16,721,813	$ 5,013,934

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Governmental Fund Financial Statements

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

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

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

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

Transportation Investment Fund
This fund was created by the Legislature to account for revenues and expenditures associated with the maintenance and reconstruction of 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 128.

Balance Sheet
Governmental Funds

June 30, 2008 (Expressed in Thousands)

	General	Special Revenue: Education	Special Revenue: Uniform School	Special Revenue: Transportation
ASSETS				
Cash and Cash Equivalents	$ 333,679	$ —	$ 350,285	$ 426,379
Investments	319,914	185,762	28,636	202,215
Receivables:				
Accounts, net	449,900	2,095	29,857	80,241
Accrued Interest	31	—	—	—
Accrued Taxes, net	232,473	534,428	—	48,249
Notes/Mortgages, net	1,509	—	8,216	353
Due From Other Funds	36,174	—	670	5,063
Due From Component Units	319	—	4	—
Inventories	—	—	—	11,899
Interfund Loans Receivable	38,884	—	121	—
Other Assets	—	—	—	—
Total Assets	$ 1,412,883	$ 722,285	$ 417,789	$ 774,399
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 414,458	$ 27,760	$ 39,243	$ 222,031
Due To Other Funds	35,496	—	547	6,921
Due To Component Units	12	—	7	—
Deferred Revenue	98,049	280,527	5,196	34,821
Total Liabilities	548,015	308,287	44,993	263,773
Fund Balances:				
Reserved for:				
Nonlapsing Appropriations and Encumbrances	202,695	—	142,766	26,459
Specific Purposes by Statute	245,868	—	46,691	189,910
Interfund Loans Receivable	22,237	—	121	—
Debt Service	—	—	—	—
Unreserved Designated	394,068	413,998	183,218	44,602
Unreserved Designated, reported in nonmajor:				
Capital Projects Funds	—	—	—	—
Debt Service Funds	—	—	—	—
Unreserved Undesignated	—	—	—	249,655
Unreserved Undesignated, reported in nonmajor:				
Special Revenue Funds	—	—	—	—
Capital Projects Funds	—	—	—	—
Total Fund Balances	864,868	413,998	372,796	510,626
Total Liabilities and Fund Balances	$ 1,412,883	$ 722,285	$ 417,789	$ 774,399

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

Special Revenue	Permanent		
Transportation Investment	Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ 116,837	$ 1,917	$ 313,743	$ 1,542,840
68,625	955,884	145,397	1,906,433
409	18,755	8,996	590,253
—	2,342	49	2,422
18,581	—	—	833,731
—	2,400	—	12,478
—	16,214	8,131	66,252
—	—	35,479	35,802
—	—	—	11,899
—	—	—	39,005
—	43,660	—	43,660
$ 204,452	$ 1,041,172	$ 511,795	$ 5,084,775
$ —	$ —	$ 65,126	$ 768,618
3,279	172	24,776	71,191
—	18	—	37
1,301	26,533	13,302	459,729
4,580	26,723	103,204	1,299,575
—	—	181,434	553,354
182,856	1,014,449	77,014	1,756,788
—	—	—	22,358
—	—	5,769	5,769
17,016	—	—	1,052,902
—	—	60,735	60,735
—	—	20,801	20,801
—	—	—	249,655
—	—	66,546	66,546
—	—	(3,708)	(3,708)
199,872	1,014,449	408,591	3,785,200
$ 204,452	$ 1,041,172	$ 511,795	$ 5,084,775

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

June 30, 2008 (Expressed in Thousands)

Total Fund Balances for Governmental Funds ……………………………………….		$ 3,785,200
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	$ 908,431	
Infrastructure, Non-depreciable	7,976,676	
Construction-In-Progress	1,557,159	
Buildings, Equipment, and Other Depreciable Assets	1,817,962	
Accumulated depreciation	(707,823)	11,552,405
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. …..……………………………………………………...		389,751
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. ....…..................…		79,769
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. …………………………..…		1,950
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	(1,322,266)	
Unamortized Premiums	(50,966)	
Amount Deferred on Refunding	13,570	
Accrued Interest Payable	(966)	
Pollution Remediation Obligation	(7,842)	
Compensated Absences	(186,581)	
Capital Leases	(18,769)	(1,573,820)
Total Net Assets of Governmental Activities ……………………………………..		$ 14,235,255

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, 2008 (Expressed in Thousands)

		Special Revenue		
	General	Education	Uniform School	Transportation
REVENUES				
Taxes:				
Sales and Use Tax	$ 1,710,564	$ —	$ —	$ 145,255
Individual Income Tax	—	2,560,394	—	—
Corporate Tax	—	410,586	—	—
Motor and Special Fuels Tax	—	—	—	357,664
Other Taxes	283,852	—	29,683	11,978
Total Taxes	1,994,416	2,970,980	29,683	514,897
Other Revenues:				
Federal Contracts and Grants	1,892,116	—	379,583	283,992
Charges for Services/Royalties	299,819	—	2,890	67,825
Licenses, Permits, and Fees	20,633	—	5,029	73,163
Federal Mineral Lease	134,404	—	—	—
Federal Aeronautics	—	—	—	68,193
Intergovernmental	—	—	—	—
Investment Income	75,647	7,630	27,623	13,350
Miscellaneous and Other	158,883	—	21,351	49,290
Total Revenues	4,575,918	2,978,610	466,159	1,070,710
EXPENDITURES				
Current:				
General Government	286,274	—	—	—
Human Services and Youth Corrections	674,389	—	—	—
Corrections, Adult	247,376	—	—	—
Public Safety	191,483	—	—	—
Courts	128,148	—	—	—
Health and Environmental Quality	1,643,269	—	—	—
Higher Education – State Administration	64,587	—	—	—
Higher Education – Colleges and Universities	773,107	—	—	—
Employment and Family Services	432,032	—	—	—
Natural Resources	171,738	—	—	—
Community and Culture	127,225	—	—	—
Business, Labor, and Agriculture	87,601	—	—	—
Public Education	—	—	2,960,523	—
Transportation	—	—	—	1,098,231
Capital Outlay	—	—	—	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	4,827,229	0	2,960,523	1,098,231
Excess Revenues Over (Under) Expenditures	(251,311)	2,978,610	(2,494,364)	(27,521)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	—	—	—	68,995
Premium on Bonds Issued	—	—	—	1,088
Capital Leases Acquisition	2,131	—	—	—
Sale of Capital Assets	80	—	—	8,058
Transfers In	908,222	44,237	2,325,571	264,234
Transfers Out	(873,826)	(3,175,521)	(110,135)	(131,245)
Total Other Financing Sources (Uses)	36,607	(3,131,284)	2,215,436	211,130
Net Change in Fund Balances	(214,704)	(152,674)	(278,928)	183,609
Fund Balances – Beginning	1,079,572	566,672	651,724	327,017
Fund Balances – Ending	$ 864,868	$ 413,998	$ 372,796	$ 510,626

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

Special Revenue	Permanent		
Transportation Investment	Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ 175,420	$ —	$ —	$ 2,031,239
—	—	—	2,560,394
—	—	—	410,586
—	—	—	357,664
—	—	8,029	333,542
175,420	0	8,029	5,693,425
14,356	—	4,538	2,574,585
—	76,106	21,811	468,451
23,057	—	—	121,882
—	—	—	134,404
—	—	—	68,193
—	—	12,884	12,884
678	(77,874)	(338)	46,716
—	—	143,523	373,047
213,511	(1,768)	190,447	9,493,587
—	—	33,115	319,389
—	—	2,845	677,234
—	—	3,840	251,216
—	—	4,525	196,008
—	—	3,113	131,261
—	—	5,572	1,648,841
—	—	—	64,587
—	—	20,176	793,283
—	—	923	432,955
—	—	2,382	174,120
—	—	5,188	132,413
—	—	8,471	96,072
—	—	350	2,960,873
373,222	—	755	1,472,208
—	—	193,733	193,733
—	—	193,292	193,292
—	—	139,883	139,883
373,222	0	618,163	9,877,368
(159,711)	(1,768)	(427,716)	(383,781)
—	—	6,005	75,000
—	—	469	1,557
—	—	—	2,131
—	22,686	—	30,824
438,833	9,650	559,653	4,550,400
(209,058)	—	(12,926)	(4,512,711)
229,775	32,336	553,201	147,201
70,064	30,568	125,485	(236,580)
129,808	983,881	283,106	4,021,780
$ 199,872	$ 1,014,449	$ 408,591	$ 3,785,200

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, 2008 (Expressed in Thousands)

Net Change in Fund Balances – Total Governmental Funds		$ (236,580)
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 $921,837 exceeded depreciation $(51,592) and buildings "transferred" to component units $(55,081) in the current period. (See Note 8)		815,164
In the Statement of Activities, only the gain/loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the assets sold.		(68,496)
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.		(146,497)
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.		2,969
Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets: (See Note 10)		
Bonds Issued	$ (75,000)	
Premiums on Bonds Issued	(1,557)	
Capital Lease Additions	(2,131)	
Cash Defeasance on Bonds	69,241	
Payment of Bond Principal	193,292	
Capital Lease Payments	1,590	185,435
Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources; interest on long-term debt unless certain conditions are met; and bond issue costs. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:		
Pollution Remediation Obligation Costs	(1,503)	
Compensated Absences Expenses	(951)	
Arbitrage Interest Expense	109	
Accrued Interest on Bonds Payable	484	
Amortization of Bond Premiums	17,119	
Amortization of Amount Deferred on Refunding	(4,103)	
Deferred Bond Issue Costs	(709)	10,446
Change in Net Assets of Governmental Activities		$ 562,441

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 152.

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 162.

Statement Of Net Assets
Proprietary Funds

June 30, 2008 (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	$ 91,451	$ 854,060	$ 126,906	$ 210,482
Investments	269,260	—	—	—
Receivables:				
Accounts, net	11,428	55,209	447	27,660
Accrued Interest	31,176	—	5,880	3,952
Notes/Loans/Mortgages, net	66,160	—	31,358	20,065
Due From Other Funds	—	—	353	15,282
Due From Component Units	—	—	—	17
Prepaid Items	3,812	—	—	27
Inventories	—	—	—	28,610
Deferred Charges	—	—	—	—
Total Current Assets	473,287	909,269	164,944	306,095
Noncurrent Assets:				
Restricted Investments	78,130	—	—	—
Investments	—	—	—	962
Prepaid Items	—	—	—	—
Accrued Interest Receivable	—	—	3,894	741
Notes/Loans/Mortgages Receivables, net	1,974,453	—	521,693	354,854
Deferred Charges	25,299	—	—	—
Capital Assets:				
Land	—	—	—	13,216
Infrastructure	—	—	—	304
Buildings and Improvements	12,560	—	—	42,327
Machinery and Equipment	1,932	—	—	13,644
Construction in Progress	—	—	—	1,299
Less Accumulated Depreciation	(2,893)	—	—	(21,368)
Total Capital Assets	11,599	0	0	49,422
Total Noncurrent Assets	2,089,481	0	525,587	405,979
Total Assets	2,562,768	909,269	690,531	712,074
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	17,364	8,926	428	16,391
Deposits	—	66	—	97
Due To Other Funds	—	9,030	22	34,232
Due To Component Units	—	—	—	—
Interfund Loans Payable	—	—	—	—
Unearned Revenue	2,283	—	25	3,997
Policy Claims and Uninsured Liabilities	1,101	3,027	—	—
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	5,355	—	—	2,075
Arbitrage Liability	608	—	—	—
Total Current Liabilities	26,711	21,049	475	56,792
Noncurrent Liabilities:				
Accrued Liabilities	238	—	—	—
Unearned Revenue	7,029	—	—	—
Interfund Loans Payable	—	—	—	—
Policy Claims and Uninsured Liabilities	1,658	—	—	—
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	2,159,865	—	—	48,930
Arbitrage Liability	65,337	—	—	—
Total Noncurrent Liabilities	2,234,127	0	0	48,930
Total Liabilities	2,260,838	21,049	475	105,722
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,074	—	—	11,763
Restricted for:				
Unemployment Compensation and Insurance Programs	—	888,220	—	—
Loan Programs	209,751	—	288,172	48,685
Unrestricted (Deficit)	90,105	—	401,884	545,904
Total Net Assets	$ 301,930	$ 888,220	$ 690,056	$ 606,352

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

Total	Governmental Activities – Internal Service Funds
$ 1,282,899	$ 66,784
269,260	—
94,744	7,568
41,008	—
117,583	163
15,635	38,109
17	51
3,839	805
28,610	6,819
—	11
1,853,595	120,310
78,130	—
962	—
—	250
4,635	—
2,851,000	531
25,299	500
13,216	17
304	321
54,887	6,455
15,576	191,693
1,299	187
(24,261)	(123,796)
61,021	74,877
3,021,047	76,158
4,874,642	196,468
43,109	28,144
163	—
43,284	6,517
—	10
—	16,647
6,305	161
4,128	16,003
—	47
7,430	48
608	—
105,027	67,577
238	—
7,029	165
—	22,358
1,658	25,282
—	512
2,208,795	805
65,337	—
2,283,057	49,122
2,388,084	116,699
13,837	74,080
888,220	8,002
546,608	2,670
1,037,893	(4,983)
$ 2,486,558	$ 79,769

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

For the Fiscal Year Ended June 30, 2008 (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	$ 34,299	$ 157,624	$ 422	$ 259,820
Fees and Assessments	3,318	—	294	3,814
Interest on Notes/Mortgages	78,094	—	11,419	6,486
Federal Reinsurance and Allowances/Reimbursements	36,139	1,047	—	—
Investment Income	—	—	—	—
Miscellaneous	1,535	—	—	345
Total Operating Revenues	153,385	158,671	12,135	270,465
OPERATING EXPENSES				
Administration	4,411	—	—	31,829
Purchases, Materials, and Services for Resale	—	—	—	143,212
Grants	—	—	5,760	1,242
Rentals and Leases	—	—	—	1,992
Maintenance	—	—	—	2,654
Interest	91,820	—	—	—
Depreciation	595	—	—	1,737
Student Loan Servicing and Related Expenses	23,841	—	—	—
Payment to Lenders for Guaranteed Claims	38,122	—	—	—
Benefit Claims and Unemployment Compensation	—	148,424	—	—
Supplies and Other Miscellaneous	5,259	—	4,717	11,392
Total Operating Expenses	164,048	148,424	10,477	194,058
Operating Income (Loss)	(10,663)	10,247	1,658	76,407
NONOPERATING REVENUES (EXPENSES)				
Investment Income	25,243	40,493	5,468	7,613
Federal Grants	—	—	19,391	8,459
Gain (Loss) on Sale of Capital Assets	—	—	—	—
Tax Revenues	—	—	22,937	525
Interest Expense	—	—	—	(2,304)
Refunds Paid to Federal Government	—	—	—	—
Other Revenues (Expenses)	(363)	—	—	—
Total Nonoperating Revenues (Expenses)	24,880	40,493	47,796	14,293
Income (Loss) before Transfers	14,217	50,740	49,454	90,700
Capital Contributions	—	—	—	—
Transfers In	—	—	1,582	37,498
Transfers Out	—	(588)	(3,670)	(72,555)
Change in Net Assets	14,217	50,152	47,366	55,643
Net Assets – Beginning	287,713	838,068	642,690	550,709
Net Assets – Ending	$ 301,930	$ 888,220	$ 690,056	$ 606,352

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

Total	Governmental Activities – Internal Service Funds
$ 452,165	$ 302,263
7,426	—
95,999	—
37,186	—
—	33
1,880	31
594,656	302,327
36,240	108,694
143,212	83,494
7,002	—
1,992	2,413
2,654	24,295
91,820	—
2,332	17,412
23,841	—
38,122	—
148,424	8,123
21,368	56,360
517,007	300,791
77,649	1,536
78,817	2,704
27,850	—
—	190
23,462	—
(2,304)	(65)
—	(381)
(363)	(179)
127,462	2,269
205,111	3,805
—	(880)
39,080	444
(76,813)	(400)
167,378	2,969
2,319,180	76,800
$ 2,486,558	$ 79,769

State of Utah

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2008 (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 ...	$ 71,518	$ 181,896	$ 13,052	$ 280,188
Receipts from Loan Maturities	229,501	—	31,817	22,177
Receipts Federal Reinsurance & Allowances/Reimburse ..	78,057	1,080	—	—
Receipts from State Customers	11,457	—	—	11,948
Student Loan Disbursements Received from Lenders	378,199	—	—	—
Student Loan Disbursements Sent to Schools/Lenders	(380,968)	—	—	—
Payments to Suppliers/Claims/Grants	(32,357)	(146,823)	(5,711)	(156,879)
Disbursements for Loans Receivable	(487,602)	—	(65,578)	(76,641)
Payments on Loan Guarantees	(37,556)	—	—	—
Payments for Employee Services and Benefits	(10,430)	—	—	(29,081)
Payments to State Suppliers and Grants	—	—	(4,902)	5,767
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	(41,312)
Net Cash Provided (Used) by Operating Activities	(180,181)	36,153	(31,322)	16,167
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	16,651
Repayments Under Interfund Loans	—	—	—	(7,603)
Receipts from Bonds, Notes, and Deposits	99,670	173	—	—
Payments of Bonds, Notes, Deposits, and Refunds	(72,145)	(297)	—	—
Interest Paid on Bonds, Notes, and Financing Costs	(104,264)	—	—	—
Federal Grants and Other Revenues	—	—	19,391	7,286
Restricted Sales Tax	—	—	22,937	525
Transfers In from Other Funds	—	—	1,582	35,589
Transfers Out to Other Funds	—	(588)	(3,670)	(70,928)
Net Cash Provided (Used) by Noncapital Financing Activities	(76,739)	(712)	40,240	(18,480)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Proceeds from Bond and Note Debt Issuance	—	—	—	14,535
Proceeds from Disposition of Capital Assets	—	—	—	—
Principal Paid on Debt and Contract Maturities	—	—	—	(1,806)
Acquisition and Construction of Capital Assets	(547)	—	—	(14,338)
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	(2,331)
Transfers In from Other Funds	—	—	—	1,908
Transfers Out to Other Funds	—	—	—	(1,628)
Net Cash Provided (Used) by Capital and Related Financing Activities	(547)	0	0	(3,660)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	743,796	—	—	(182)
Receipts of Interest and Dividends from Investments	25,246	40,493	5,468	7,614
Payments to Purchase Investments	(510,690)	—	—	—
Net Cash Provided (Used) by Investing Activities	258,352	40,493	5,468	7,432
Net Cash Provided (Used) – All Activities	885	75,934	14,386	1,459
Cash and Cash Equivalents – Beginning	90,566	778,126	112,520	209,023
Cash and Cash Equivalents – Ending	$ 91,451	$ 854,060	$ 126,906	$ 210,482

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

Total	Governmental Activities – Internal Service Funds
$ 546,654	$ 48,873
283,495	156
79,137	—
23,405	247,542
378,199	—
(380,968)	—
(341,770)	(124,065)
(629,821)	—
(37,556)	—
(39,511)	(109,252)
865	(46,500)
(41,312)	—
(159,183)	16,754
16,651	—
(7,603)	(1,463)
99,843	—
(72,442)	(597)
(104,264)	(25)
26,677	30
23,462	—
37,171	—
(75,186)	(367)
(55,691)	(2,422)
—	6,563
14,535	—
—	3,500
(1,806)	(51)
(14,885)	(23,355)
(2,331)	(40)
1,908	444
(1,628)	(33)
(4,207)	(12,972)
743,614	—
78,821	2,704
(510,690)	—
311,745	2,704
92,664	4,064
1,190,235	62,720
$ 1,282,899	$ 66,784

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2008 (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)	$ (10,663)	$ 10,247	$ 1,658	$ 76,407
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	595	—	—	1,737
Interest Expense for Noncapital and Capital Financing	97,518	—	—	—
Miscellaneous Gains, Losses, and Other Items	5,059	—	—	674
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	8,308	15,363	369	(16,837)
Notes/Accrued Interest Receivables	(273,650)	—	(33,382)	(54,723)
Inventories	—	—	—	(4,148)
Prepaid Items/Deferred Charges	(68)	—	—	6
Accrued Liabilities/Due to Other Funds	(7,280)	9,663	33	12,873
Unearned Revenue/Deposits	—	—	—	178
Notes Payable	—	—	—	—
Policy Claims Liabilities	—	880	—	—
Net Cash Provided (Used) by Operating Activities	$ (180,181)	$ 36,153	$ (31,322)	$ 16,167
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ —	$ (83)
Contributed Capital Assets Transferred In (Out)	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ 0	$ (83)

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

Total	Governmental Activities – Internal Service Funds
$ 77,649	$ 1,536
2,332	17,412
97,518	—
5,733	—
7,203	(5,866)
(361,755)	156
(4,148)	(2,197)
(62)	1,767
15,289	7,498
178	(46)
0	(36)
880	(3,470)
$ (159,183)	$ 16,754
$ (83)	$ (186)
0	(880)
$ (83)	$ (1,066)

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Fiduciary Fund Financial Statements

Pension and Other Employee Benefit Trust Funds

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

Investment Trust Fund

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

Private Purpose Trust Funds

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

Agency Funds

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

Individual funds are presented by fund type beginning on page 172.

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 1,501,233	$ 96,588	$ 29,316	$ 181,676
Receivables:				
Accounts	3,151	—	7,616	3,287
Contributions	37,616	—	—	—
Investments	465,451	—	—	—
Accrued Interest	—	40,523	—	—
Accrued Assessments	—	—	11,944	—
Due From Other Funds	611	—	557	245
Investments:				
Debt Securities	6,449,566	6,346,738	910,914	24,130
Equity Investments	10,757,916	—	1,937,395	—
Absolute Return	2,192,308	—	—	—
Private Equity	1,149,645	—	—	—
Real Estate	3,771,930	—	—	—
Mortgage Loans	6,845	—	—	—
Invested Securities Lending Collateral	2,000,979	—	—	—
Investment Contracts	41,399	—	—	—
Total Investments	26,370,588	6,346,738	2,848,309	24,130
Capital Assets:				
Land	1,780	—	260	—
Buildings and Improvements	11,311	—	10,698	—
Machinery and Equipment	3,487	—	895	—
Less Accumulated Depreciation	(15,763)	—	(2,306)	—
Total Capital Assets	815	0	9,547	0
Total Assets	28,379,465	6,483,849	2,907,289	$ 209,338
LIABILITIES				
Accounts Payable	969,339	—	2,613	$ —
Securities Lending Liability	2,000,979	—	—	—
Due To Other Funds	—	—	417	—
Due To Individuals, Organizations, and Other Governments	—	—	—	209,338
Unearned Revenue	—	—	250	—
Leave/Postemployment Benefits	8,872	—	—	—
Policy Claims Liabilities/Insurance Reserves	6,667	—	263,123	—
Real Estate Liabilities	1,484,999	—	—	—
Total Liabilities	4,470,856	0	266,403	$ 209,338
NET ASSETS				
Held in trust for:				
Pension Benefits	20,950,656	—	—	
Other Postemployment Benefits	51,881	—	—	
Defined Contribution	2,906,072	—	—	
Pool Participants	—	6,483,849	—	
Individuals, Organizations, and Other Governments	—	—	2,640,886	
Total Net Assets	$ 23,908,609	$ 6,483,849	$ 2,640,886	
Participant Account Balance Net Asset Valuation Factor		0.996952		

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, 2008 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 303,908	$ —	$ 588,091
Employer	635,012	—	—
Court Fees and Fire Insurance Premiums	15,647	—	—
Total Contributions	954,567	0	588,091
Pool Participant Deposits	—	8,912,773	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	893,088	(18,648)	(303,112)
Interest, Dividends, and Other Investment Income	628,520	299,746	85,542
Less Investment Expenses	(67,340)	(189)	—
Net Investment Income	1,454,268	280,909	(217,570)
Transfers From Affiliated Systems	12,064	—	—
Other Additions:			
Escheats	—	—	32,707
Royalties and Rents	—	—	4,880
Fees, Assessments, and Revenues	—	—	92,023
Miscellaneous	—	—	7,342
Total Other	0	0	136,952
Total Additions	2,420,899	9,193,682	507,473
DEDUCTIONS			
Pension Benefits	804,097	—	—
Retiree Healthcare Benefits	27,311	—	—
Refunds/Plan Distributions	173,313	—	—
Earnings Distribution	—	294,660	—
Pool Participant Withdrawals	—	7,878,195	—
Transfers To Affiliated Systems	12,064	—	—
Trust Operating Expenses	—	—	34,147
Distributions and Benefit Payments	—	—	97,248
Administrative and General Expenses	16,692	—	13,995
Total Deductions	1,033,477	8,172,855	145,390
Change in Net Assets Held in Trust for:			
Pension Benefits	1,121,027	—	—
Other Postemployment Benefits	23,839	—	—
Defined Contributions	242,556	—	—
Pool Participants	—	1,020,827	—
Individuals, Organizations, and Other Governments	—	—	362,083
Net Assets – Beginning	22,521,187	5,463,022	2,278,803
Net Assets – Ending	$ 23,908,609	$ 6,483,849	$ 2,640,886

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

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Utah Housing Corporation

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

Public Employees Health Program

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

University of Utah and Utah State University

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

Nonmajor Component Units

Nonmajor component units are presented beginning on page 184.

State of Utah

Combining Statement Of Net Assets
Component Units

June 30, 2008 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 45,313	$ 22,162	$ 516,750	$ 14,533
Investments	160,735	44,282	419,479	25,941
Receivables:				
Accounts, net	—	32,778	272,152	63,442
Notes/Loans/Mortgages/Pledges, net	22,430	—	10,268	1,352
Accrued Interest	6,455	1,301	6,356	—
Due From Primary Government	—	—	—	—
Prepaid Items	3,216	15,972	—	1,198
Inventories	—	—	35,153	4,361
Deferred Charges	—	—	18,891	—
Total Current Assets	238,149	116,495	1,279,049	110,827
Noncurrent Assets:				
Restricted Investments	513,601	—	403,614	70,109
Accounts Receivables, net	—	—	—	39,701
Investments	—	144,608	270,619	159,382
Notes/Loans/Mortgages/Pledges Receivables, net	1,256,435	—	82,689	12,339
Deferred Charges	12,338	—	73,266	—
Other Assets	7,278	—	—	—
Capital Assets (net of Accumulated Depreciation)	6,632	592	1,348,040	473,252
Total Noncurrent Assets	1,796,284	145,200	2,178,228	754,783
Total Assets	2,034,433	261,695	3,457,277	865,610
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	51,965	18,022	138,087	40,622
Securities Lending Liability	—	12,557	—	—
Deposits	—	—	123,175	437
Due To Primary Government	—	—	23,582	1,516
Unearned Revenue	—	4,958	31,947	15,258
Current Portion of Long-term Liabilities (Note 10)	123,806	70,384	30,463	12,762
Total Current Liabilities	175,771	105,921	347,254	70,595
Noncurrent Liabilities:				
Accrued Liabilities	841	—	—	—
Unearned Revenue	—	—	—	540
Deposits	—	—	12,617	—
Due To Primary Government	—	—	—	—
Long-term Liabilities (Note 10)	1,627,612	51,432	410,365	120,976
Total Noncurrent Liabilities	1,628,453	51,432	422,982	121,516
Total Liabilities	1,804,224	157,353	770,236	192,111
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,459	592	993,443	365,976
Restricted for:				
Nonexpendable:				
Higher Education	—	—	351,619	75,646
Expendable:				
Higher Education	—	—	528,493	190,859
Debt Service	170,652	—	—	—
Insurance Plans	—	103,750	—	—
Other	—	—	—	—
Unrestricted	56,098	—	813,486	41,018
Total Net Assets	$ 230,209	$ 104,342	$ 2,687,041	$ 673,499

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

Nonmajor Component Units	Total
$ 255,204	$ 853,962
42,595	693,032
33,185	401,557
5,831	39,881
458	14,570
47	47
6,633	27,019
14,528	54,042
322	19,213
358,803	2,103,323
67,743	1,055,067
—	39,701
128,655	703,264
23,117	1,374,580
—	85,604
6,725	14,003
932,432	2,760,948
1,158,672	6,033,167
1,517,475	8,136,490
30,403	279,099
—	12,557
1,516	125,128
9,467	34,565
20,451	72,614
21,836	259,251
83,673	783,214
—	841
—	540
897	13,514
1,305	1,305
112,757	2,323,142
114,959	2,339,342
198,632	3,122,556
826,460	2,189,930
103,190	530,455
152,164	871,516
—	170,652
—	103,750
45	45
236,984	1,147,586
$ 1,318,843	$ 5,013,934

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2008 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
Expenses	$ 94,803	$ 577,121	$ 2,310,805	$ 464,360
Program Revenues:				
Charges for Services:				
Tuition and Fees	—	—	182,834	98,447
Scholarship Allowances	—	—	(21,919)	(31,375)
Sales, Services, and Other Revenues (net of University of Utah patient services allowance of $49,365)	107,920	591,424	1,555,378	67,154
Operating Grants and Contributions	—	16,214	396,157	222,891
Capital Grants and Contributions	—	—	55,512	28,986
Total Program Revenues	107,920	607,638	2,167,962	386,103
Net (Expenses) Revenues	13,117	30,517	(142,843)	(78,257)
General Revenues:				
State Appropriations	—	—	294,907	160,246
Unrestricted Investment Income	—	—	—	—
Permanent Endowments Contributions	—	—	17,492	5,861
Total General Revenues	0	0	312,399	166,107
Change in Net Assets	13,117	30,517	169,556	87,850
Net Assets – Beginning	217,092	73,825	2,536,159	585,649
Adjustment to Beginning Net Assets	—	—	(18,674)	—
Net Assets – Beginning as Adjusted	217,092	73,825	2,517,485	585,649
Net Assets – Ending	$ 230,209	$ 104,342	$ 2,687,041	$ 673,499

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

Nonmajor Component Units	Total
$ 878,436	$ 4,325,525
272,820	554,101
(45,418)	(98,712)
124,521	2,446,397
166,851	802,113
45,275	129,773
564,049	3,833,672
(314,387)	(491,853)
390,474	845,627
1,459	1,459
9,644	32,997
401,577	880,083
87,190	388,230
1,231,653	4,644,378
—	(18,674)
1,231,653	4,625,704
$ 1,318,843	$ 5,013,934

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, P.O. Box 142310, Salt Lake City, UT 84114.

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

Blended Component Units

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

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

Discrete Component Units

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

The State's major discrete component units are:

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

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

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

The State's nonmajor discrete component units are:

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

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

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

Utah State Fair Corporation — This is a nonprofit public corporation that operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It receives state appropriations for operations and working capital. The reporting period for the State Fair Park was changed from a fiscal year to a calendar year ending December 31, 2007. The accompanying financial statements include a six month time period for the State Fair Park from July 1, 2007 to December 31, 2007, in order to transition to the new reporting period.

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

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

Fiduciary Component Units

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

Related Organization (Excluded from Financial Statements)

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

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

- **General Fund**. This fund is the principal operating fund of the State. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Education Fund**. This special revenue fund accounts for all revenues from taxes on intangible property or from a tax on income that supports public and higher education.
- **Uniform School Fund**. This special revenue fund accounts for specific revenues and expenditures that support public elementary and secondary schools in the State.
- **Transportation Fund**. This special revenue fund accounts for revenues and expenditures associated with highway construction and maintenance.
- **Transportation Investment Fund**. This special revenue fund accounts for revenue and expenditures associated with Centennial Highway projects and other specific highway projects.
- **Trust Lands Fund**. This is a permanent fund that accounts for land grants and the sale of lands received from the federal *Enabling Act*. The principal in the fund is perpetual, with the earnings used primarily to support public education.

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

Proprietary Fund Financial Statements

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

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

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

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

- **Student Assistance Programs**. These programs make loans to, and purchase loans of, qualified students attending eligible higher education institutions. The programs also guarantee the repayment of student loans made by participating lenders to eligible students.
- **Unemployment Compensation Fund**. This fund pays claims for unemployment to eligible recipients.
- **Water Loan Programs**. This fund provides loans to local governments, water districts, and other entities for the purpose of upgrading water storage facilities and other related structures.

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

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

Fiduciary Fund Financial Statements

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

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

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

Private Purpose Trust Funds — These funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include the Utah Navajo 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 current GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. In addition, as allowed by GASB standards, the Public Employees Health Program has elected to apply all applicable FASB pronouncements issued after November 30, 1989, that do not conflict with GASB standards.

D. **Fiscal Yearends**

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

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

Cash and Cash Equivalents and Investments

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

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

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

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

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

Receivables

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

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

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

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

Inventories and Prepaid Items

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

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

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

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

Capital Assets

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

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

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

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

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

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

Accrued Liabilities

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

Deferred Revenue — Unearned and Unavailable

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

Policy Claims Liabilities

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

Long-term Debt

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

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

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

Arbitrage liability is treated as an expense in the government-wide Statement of Net Assets and the proprietary fund financial statements when the liability is recognized. Arbitrage liability is recorded as an expenditure in the governmental funds financial statements when the liability is due. At June 30, 2008, the total estimated arbitrage rebate liability in the Student Assistance Programs (enterprise fund) was $65.944 million, of which $63.729 million represents yield reduction payments and $2.215 million represents the estimated liability for non-purpose interest. Other arbitrage liabilities are immaterial.

Compensated Absences and Postemployment Benefits

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

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

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

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

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

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

Net Assets/Fund Balances

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

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

F. **Revenues and Expenditures/Expenses**

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

Grants

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

Federal grants include nonmonetary transactions for food and vaccine commodities. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2008, the State reported revenue and expenditures of $15.591 million for commodities in the General Fund, and $12.212 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 defined benefit pension plan and/or defined contribution plan administered by Utah Retirement Systems. Contributions collected for the pension plans and contribution plans and the retirement benefits paid are accounted for in the Pension and Other Employee Benefit Trust Funds. All costs for pension, health, and federal social security contributions are reported as expenditures in the appropriate function in governmental fund types or as expenses in applicable proprietary fund types. Pension and other benefit costs are recognized in the fiscal year in which the underlying payroll cost is incurred.

G. **Interfund Transactions**

Government-wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

NOTE 2. BEGINNING NET ASSET ADJUSTMENTS AND OTHER CHANGES

Beginning Net Assets Adjustments

An adjustment was made to decrease beginning net assets of the University of Utah (major component unit) by $18.674 million for operating lease expenses that were recorded on a cash basis instead of amortizing the payments over the life of the lease.

GASB Statement Changes

GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, was implemented for the fiscal year ended June 30, 2008. As a result, a disclosure related to pledged revenues was added. Implementing this Statement did not result in any other reporting changes. The change is reflected in Note 10.

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was early implemented for the fiscal year ended June 30, 2008. This statement requires governments to estimate the components of expected pollution remediation outlays and determine whether those outlays should be accrued as a liability. As a result of implementing this Statement, additional pollution obligations of $2.887 million were reported in the entity-wide Statement of Net Assets, for the fiscal year ended June 30, 2008, in addition to $4.955 million in long-term and $1.384 million in short-term pollution liabilities previously reported. Because the pollution liabilities were previously reported, it was not necessary to restate beginning net assets. The disclosures related to pollution liabilities were added to the government-wide financial statements and reflected in Note 10.

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), Employers' Reinsurance Trust (private purpose trust), and Utah Educational Savings Plan Trust (private purpose trust). Exempt from the Act in the primary government are the Trust Lands (permanent fund), Utah Retirement Systems (pension and other employee benefit trust funds) and State Post-Retirement Benefits Trust Fund (OPEB Plan). The discrete component units exempt from the Act are Utah Housing Corporation, Public Employees Health Program, and the college and universities' endowment funds.

A. PRIMARY GOVERNMENT

Custodial Credit Risk — Deposits

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

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2008, were $361.393 million. Of these, $355.929 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.

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

The primary government's investments at June 30, 2008, are presented below. All investments, except those of the Utah Retirement Systems (pension and other employee benefit trust funds), are presented by investment type and debt securities are presented by maturity. The Utah Retirement Systems are presented consistent with their separately issued financial statements by investment type.

(Table on next page.)

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

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1–5	6–10	More Than 10
Debt Securities					
U.S. Treasuries	$ 6,965	$ 2,451	$ 3,263	$ 1,251	$ —
U.S. Agencies	258,625	71,312	186,458	—	855
Corporate Debt	9,209,851	9,208,355	1,496	—	—
Negotiable Certificates of Deposit	360,332	360,332	—	—	—
Money Market Mutual Fund	421,239	421,239	—	—	—
Commercial Paper	386,091	386,091	—	—	—
Bond Mutual Fund *	790,975	—	—	790,975	—
Repurchase Agreements	1,699	1,699	—	—	—
	11,435,777	$10,451,479	$ 191,217	$ 792,226	$ 855
Other Investments					
Equity Securities	48,900				
Equity Mutual Funds Securities:					
Domestic	2,210,979				
International	367,650				
U.S. Unemployment Trust Pool	847,560				
Real Estate Held for Investment Purposes	53,106				
Real Estate Joint Ventures	1,894				
Component Units Investment in Primary Government's Investment Pool	(527,788)				
Total	$14,438,078				

***** At June 30, 2008, the bond mutual fund had an average effective maturity of 7.5 years.

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

In addition, significant funds with a long-term investment perspective have the following mix of investments (percentages are of the fund's total investments). Utah Educational Savings Plan Trust (private purpose trust) – $1.71 billion, 66.2 percent, in domestic equity mutual fund securities; $492.118 million, 19.1 percent, in bond mutual fund; $178.441 million, 6.9 percent, in international equity mutual fund securities; and $200.08 million, 7.8 percent, in the Utah Public Treasurer's Investment Fund. Trust Lands (permanent fund) – $437.308 million, 46.4 percent, in domestic equity mutual fund securities; $264.286 million, 28 percent, in bond mutual fund; $189.209 million, 20 percent, in international equity mutual fund securities; and $52.322 million, 5.6 percent in real estate. State Post-Retirement Benefits Trust (OPEB plan) – $30.304 million, 57.9 percent, in domestic equity mutual fund securities; $20.684 million, 39.5 percent, in bond mutual fund; and $1.332 million, 2.6 percent, in the Utah Public Treasurer's Investment Fund. Tobacco Endowment Fund (special revenue fund) – $26.727 million, 58.4 percent, in domestic equity mutual fund securities; $13.886 million, 30.4 percent, in bond mutual fund; and $5.136 million, 11.2 percent, in the Utah Public Treasurer's Investment Fund.

(Table on next page.)

Utah Retirement Systems Investments
(pension and other employee benefit trust funds)
At December 31, 2007
(Expressed in Thousands)

Investment Type	Fair Value
Debt Securities – Domestic	$ 5,028,312
Debt Securities – International	517,994
Equity Securities – Domestic	5,949,113
Equity Securities – International	3,072,942
Short-term Securities Pools	1,513,490
Mortgage Loans:	
Real Estate Notes	6,845
Real Estate	3,771,930
Private Equity (Venture Capital)	1,149,645
Absolute Return	2,192,308
Guaranteed Investment Contracts	41,399
Equity Securities – Domestic (Pooled)	506,515
Mutual Fund – International	133,380
Investments Held by Broker-dealers Under Securities Lending Program:	
U.S. Government and Agency Securities	601,405
Corporate Debt Securities – Domestic	225,938
Debt Securities – International	55,233
Equity Securities – Domestic	869,764
Equity Securities – International	194,566
Total Investments	25,830,779
Securities Lending Collateral Pool	2,000,979
Total Investments	$ 27,831,758

Interest Rate Risk — Investments

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

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

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

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

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

The URS compares an investment's effective duration against the 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, 2007, was 3.31 – 5.51 for domestic debt securities and 2.66 – 7.98 for international debt securities. At December 31, 2007, no individual debt security investment manager's portfolio was outside of the policy guidelines. At December 31, 2007, the following tables show the investments by investment type, amount, and the effective weighted duration.

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, Domestic
At December 31, 2007
(Expressed in Thousands)

	Defined Benefit Plans		Defined Contribution Plans		Total
Investment	**Fair Value**	**Effective Weighted Duration**	**Fair Value**	**Effective Weighted Duration**	**All Systems and Plans**
Asset-backed Securities	$ 208,774	1.23	$ 27,734	1.86	$ 236,508
Cash and Cash Equivalent Futures	30,512	NA	—	—	30,512
Commercial Mortgage-backed	246,915	4.04	167,453	3.18	414,368
Convertible Equity	2,289	11.49	—	—	2,289
Corporate Bonds	968,002	5.21	203,109	5.24	1,171,111
Corporate Convertible Bonds	172	NA	—	—	172
Fixed Income Derivatives — Futures	3,673	109.39	—	—	3,673
Fixed Income Derivatives — Options	(2,511)	NA	—	—	(2,511)
Fixed Income Futures	(3,673)	NA	—	—	(3,673)
Government Agencies	206,572	3.15	167,705	2.29	374,277
Government Bonds	429,386	7.68	94,723	2.53	524,109
Government Mortgage-backed Securities	2,040,286	3.85	250,809	2.45	2,291,095
Index Linked Government Bonds	95,790	8.25	—	—	95,790
Municipal/Provincial Bonds	1,317	12.51	—	—	1,317
Non-government Backed C.M.O.s	540,529	2.16	—	—	540,529
Other Fixed Income	1,190	1.19	32,742	NA	33,932
Other Options	5,581	NA	—	—	5,581
Swap Liabilities	(7,753)	NA	—	—	(7,753)
Swaps	19,976	NA	—	—	19,976
Treasury Inflation Protected Securities	—	NA	12,962	4.68	12,962
Treasury Notes	—	NA	111,391	1.89	111,391
Total Debt Securities Investments, Domestic	$ 4,787,027	5.28	$ 1,068,628	2.91	$ 5,855,655

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, International
At December 31, 2007
(Expressed in Thousands)

	Defined Benefit Plans	
Investment	Fair Value	Effective Weighted Duration
Convertible Equity	$ (2,289)	11.49
Corporate Bonds	211,001	5.60
Corporate Convertible Bonds	(172)	NA
Fixed Income Derivative — Futures	37,882	6.33
Fixed Income Futures	(37,882)	NA
Government Agencies	1,413	3.99
Government Bonds	337,268	5.89
Index Linked Government Bonds	6,139	7.14
Municipal/Provincial Bonds	18,294	5.29
Non-government Backed C.M.O.s	1,419	0.21
Swaps	154	NA
Total Debt Securities Investments, International	$ 573,227	5.77

Credit Risk of Debt Securities

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

The primary government's rated debt investments as of June 30, 2008, with the exception of URS, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale. Securities rated less than "A" met the investment criteria at the time of purchase.

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

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 258,625	$ 257,770	$ —	$ —	$ —
Corporate Debt	$ 9,209,851	$ 437,545	$ 2,342,247	$ 5,774,416	$ 655,643
Negotiable Certificates of Deposit	$ 360,332	$ —	$ 64,844	$ 246,580	$ 48,908
Money Market Mutual Fund	$ 421,239	$ 85,000	$ —	$ —	$ —
Commercial Paper	$ 386,091	$ —	$ —	$ —	$ —
Bond Mutual Fund	$ 790,975	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying: U.S. Treasuries	$ 1,699	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings A1 *	Unrated
U.S. Agencies	$ —	$ 855
Corporate Debt	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —
Money Market Mutual Fund	$ —	$ 336,239
Commercial Paper	$ 386,091	$ —
Bond Mutual Fund	$ —	$ 790,975
Repurchase Agreements – Underlying: U.S. Treasuries	$ —	$ 1,699

***** A1 is Commercial Paper rating

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

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

The weighted quality rating average of the domestic debt securities, excluding pooled investments, at December 31, 2007, is AAA and the fair value of below grade investments is $222.892 million or 3.81 percent of the domestic portfolio. The weighted quality rating average of the international debt securities investments, at December 31, 2007, is AA and the fair value of below grade investments is $13.238 million or 2.31 percent of the international portfolio.

The following table presents the URS credit risk ratings as of December 31, 2007:

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments at Fair Value
At December 31, 2007
(Expressed in Thousands)

Quality Rating	Defined Benefit Plans Domestic	Defined Benefit Plans International	Defined Benefit Plans Total	Defined Contribution Plans Domestic	Total Systems and Plans
AAA	$ 1,685,952	$ 205,724	$ 1,891,676	$ 301,188	$ 2,192,864
AA+	21,928	—	21,928	4,823	26,751
AA	47,754	76,358	124,112	—	124,112
AA–	139,491	31,300	170,791	32,801	203,592
A+	78,027	36,828	114,855	10,311	125,166
A	62,724	67,045	129,769	10,126	139,895
A–	41,071	27,742	68,813	89,223	158,036
BBB+	116,526	72,272	188,798	20,798	209,596
BBB	90,127	35,397	125,524	1,956	127,480
BBB–	80,849	7,322	88,171	17,351	105,522
BB+	7,672	9,923	17,595	4,764	22,359
BB	2,803	2,490	5,293	—	5,293
BB–	2,354	—	2,354	—	2,354
B+	4,036	113	4,149	11,401	15,550
B	19,114	—	19,114	11,763	30,877
B–	10,570	(2,289)	8,281	8,098	16,379
CCC	2,265	—	2,265	—	2,265
NR	129,193	3,002	132,195	8,859	141,054
Total credit risk debt securities	2,542,456	573,227	3,115,683	533,462	3,649,145
U.S. Government and Agencies	2,044,032	—	2,044,032	535,166	2,579,198
Pooled investments	200,539	—	200,539	—	200,539
Total debt securities investments	$ 4,787,027	$ 573,227	$ 5,360,254	$ 1,068,628	$ 6,428,882

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, 2008, except those of the Utah Retirement Systems (URS) (pension and other employee benefit trust funds), were held by the State or in the State's name by the State's custodial banks; except $1.699 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, 2007, the URS investments were registered in the name of URS and held by their custodians; however, there is 6.048 million frictional cash and cash equivalents subject to custodial risk in foreign banks held in URS' name, but because it is in foreign banks it is subject to custodial risk. URS does not have an investment policy regarding custodial credit risk for frictional cash in foreign banks. URS also has $10.669 million of investments for which exposure to custodial credit risk could not be determined.

Concentration of Credit Risk — Investments

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

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

The primary government had no debt securities investments at June 30, 2008, with more than 5 percent of the total investments in a single issuer.

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

- AAA/Aaa Debt Securities — no more than 5 percent of an investment manager's assets at market with a single issuer.
- AA–/Aa3 Debt Securities or higher — no more than 4 percent of an investment manager's assets at market with a single issuer.
- A–/A3 Debt Securities or higher— no more than 3 percent of an investment manager's assets at market with a single issuer.
- BBB–/Baa3 Debt Securities or higher — no more than 2 percent of an investment manager's assets at market with a single issuer.
- For Debt Securities — no individual holding shall constitute more than 10 percent of the market value of outstanding debt of a single issuer with the exception of the U.S. government or its agencies, or collateralized mortgage obligations.
- For Domestic Equity Securities — no individual holdings shall constitute more than 4 percent of the securities of any single issuer. Also, no more than 8 percent of an investment manager's assets shall be invested in the equity or REIT securities of any single issuer at market.
- For International Equity Securities — no more than 8 percent of an investment manager's assets shall be invested in the equity or REIT securities of any single issuer at market.

Foreign Currency Risk — Investments

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

The Utah Educational Savings Plan Trust (private purpose trust) has $178.441 million and the Trust Lands (permanent fund) has $189.209 million invested in international equity funds. As such, no currency denomination is presented.

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds), expect the international securities investment managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

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

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

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Foreign Currency Risk
International Investment Securities at Fair Value
At December 31, 2007
(Expressed in Thousands)

Currency	Defined Benefit Plans Equity	Defined Benefit Plans Debt	Defined Benefit Plans Short Term	Defined Benefit Plans Total	Defined Contribution Plans Equity	Total All Systems and Plans
American Depository Receipts (ADR) US dollars	$ 990,606	$ 2,048	$ —	$ 992,654	$ —	$ 992,654
Argentine peso	—	113	12	125	—	125
Australian dollar	67,532	21,302	(3,961)	84,873	8,169	93,042
Bermuda – US dollar	299	—	—	299	—	299
Brazilian real	954	17,996	—	18,950	—	18,950
British pound sterling	386,516	85,309	(2,518)	469,307	53,428	522,735
Canadian dollar	108,738	17,191	(27)	125,902	1,142	127,044
Cayman Islands dollar	2,569	257	—	2,826	—	2,826
Chilean peso	—	1,389	—	1,389	—	1,389
Chinese yuan renminbi	7,140	—	—	7,140	—	7,140
Danish krone	12,862	2,932	41	15,835	3,458	19,293
Estonian kroon	2,054	—	—	2,054	—	2,054
Euro	651,327	149,861	21,203	822,391	82,467	904,858
Hong Kong dollar	63,588	—	(2,832)	60,756	7,367	68,123
Hungarian forint	—	18,615	—	18,615	—	18,615
Icelandic krona	—	10,291	—	10,291	—	10,291
Indian rupee	7,575	—	—	7,575	—	7,575
Indonesian rupiah	201	—	—	201	—	201
Japanese yen	429,128	76,941	(6,973)	499,096	55,461	554,557
Kazakhstani tenge	—	2,464	—	2,464	—	2,464
Korean won	—	588	—	588	—	588
Malaysian ringgit	4,541	10,524	35	15,100	—	15,100
Mexican peso	—	32,017	621	32,638	—	32,638
New Zealand dollar	698	—	82	780	205	985
Norwegian krone	18,101	—	106	18,207	3,139	21,346
Panamanian balboa	2,376	2,435	—	4,811	—	4,811
Polish zloty	—	16,818	—	16,818	—	16,818
Puerto Rico – US dollar	8,826	—	—	8,826	—	8,826
Qatari riyal	—	699	—	699	—	699
Russian Federation ruble	157	19,084	—	19,241	—	19,241
Singapore dollar	18,708	29,370	134	48,212	1,465	49,677
South African rand	1,109	707	—	1,816	—	1,816
South Korean won	4,635	21,023	—	25,658	—	25,658
Swedish krona	40,307	23,888	104	64,299	8,473	72,772
Swiss franc	162,880	6,093	59	169,032	18,391	187,423
Taiwanese new dollar	13,882	—	30	13,912	—	13,912
Thai baht	3,875	—	—	3,875	—	3,875
Tunisian dinar	—	720	—	720	—	720
United Arab Emirates dirham	—	2,552	—	2,552	—	2,552
Pooled International Investments	—	—	—	0	146,539	146,539
Total Securities Subject to Foreign Currency Risk	$ 3,011,184	$ 573,227	$ 6,116	$ 3,590,527	$ 389,704	$ 3,980,231

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, 2008, were $191.983 million. Of these, $181.247 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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

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

The component units' investments at June 30, 2008, 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	$ 519,545	$ 373,704	$ 144,191	$ 539	$ 1,111	$ —
Government National Mortgage Association	10	—	—	—	10	—
U.S. Agencies	735,996	398,659	88,618	11,071	196,414	41,234
Corporate Debt	159,241	81,641	50,822	21,341	3,959	1,478
Commercial Paper	9,436	9,436	—	—	—	—
Money Market Mutual Funds	260,630	260,630	—	—	—	—
Negotiable Certificates of Deposit	2,009	1,557	452	—	—	—
Municipal/Public Bonds	6,519	—	1,443	3,166	1,819	91
Repurchase Agreements	45,818	45,818	—	—	—	—
Asset-backed Securities	79	—	79	—	—	—
Guaranteed Investment Contracts	246,255	89,391	15,854	5,724	135,286	—
Bond Mutual Funds	157,767	—	8,782	147,058	1,927	—
Securities Lending Cash Collateral Pool	12,559	12,559	—	—	—	—
Utah Public Treasurer's Investment Fund	527,788	527,788	—	—	—	—
	2,683,652	$ 1,801,183	$ 310,241	$ 188,899	$ 340,526	$ 42,803
Other Investments						
Equity Securities:						
Domestic	44,736					
International	2,592					
Equity Mutual Funds Securities:						
Domestic	404,236					
Mutual Fund – U.S. Agencies	1					
Real Estate Held for Investment Purposes	1,268					
Total	$ 3,136,485					

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, 2008, 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	$ 735,996	$ 735,036	$ 52	$ —	$ —
Corporate Debt	$ 159,241	$ 9,812	$ 19,449	$ 79,475	$ 40,021
Commercial Paper	$ 9,436	$ —	$ —	$ —	$ —
Money Market Mutual Funds	$ 260,630	$ 211,428	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ 2,009	$ —	$ —	$ 204	$ —
Municipal/Public Bonds	$ 6,519	$ 6,519	$ —	$ —	$ —
Asset-backed Securities	$ 79	$ —	$ —	$ 79	$ —
Guaranteed Investment Contracts	$ 246,255	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 157,767	$ 32	$ 3,770	$ —	$ —
Securities Lending Cash Collateral Pool	$ 12,559	$ —	$ —	$ —	$ —
Utah Public Treasurer's Investment Fund	$ 527,788	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Agencies	$ 7,038	$ 1,513	$ —	$ —	$ —
Money Market Mutual Funds	$ 38,780	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings BB	B	A1 *	Unrated
U.S. Agencies	$ —	$ —	$ —	$ 908
Corporate Debt	$ 1,538	$ 872	$ —	$ 8,074
Commercial Paper	$ —	$ —	$ 9,436	$ —
Money Market Mutual Funds	$ —	$ —	$ —	$ 49,202
Negotiable Certificates of Deposit	$ —	$ —	$ —	$ 1,805
Municipal/Public Bonds	$ —	$ —	$ —	$ —
Asset-backed Securities	$ —	$ —	$ —	$ —
Guaranteed Investment Contracts	$ —	$ —	$ —	$ 246,225
Bond Mutual Funds	$ 31	$ 321	$ —	$ 153,613
Securities Lending Cash Collateral Pool	$ —	$ —	$ —	$ 12,559
Utah Public Treasurer's Investment Fund	$ —	$ —	$ —	$ 527,788
Repurchase Agreements – Underlying:				
U.S. Agencies	$ —	$ —	$ —	$ 5,525
Money Market Mutual Funds	$ —	$ —	$ —	$ 38,780

***** A1 is Commercial Paper rating

Custodial Credit Risk — Investments

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

The various component units' investments at June 30, 2008, 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	$	474,906
U.S. Agencies	$	397,059
Corporate Debt	$	16
Repurchase Agreements	$	7,420
Equity Mutual Funds Securities – Domestic	$	5,439
Counterparty's Trust Department or Agent		
U.S. Treasuries	$	33,731
U.S. Agencies	$	73,018
Corporate Debt	$	73,159
Repurchase Agreements	$	37,601
Equity Securities – Domestic	$	4,295

Concentration of Credit Risk — Investments

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

The Utah Housing Corporation places no limit on the amount the Corporation may invest in any one issuer. More than five percent of the Corporation's investments are in the Federal National Mortgage Association, Trinity Guaranteed Investment Contracts, DEPFA Guaranteed Investment Contracts, and CDC Guaranteed Investment Contracts. These investments are 15.37 percent, 10.26 percent, 9.41 percent, and 7.02 percent, respectively, of the Corporation's total investments.

Utah State University held more than five percent of total investments in securities of the Federal Home Loan Bank and the Federal National Mortgage Association. These investments represent 16.7 percent and 6.5 percent, respectively, of the University's total investments.

Public Employees Health Program had more than five percent of its investments in U.S. Government and U.S. Government Agency securities.

Foreign Currency Risk — Investments

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

C. **Securities Lending**

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

At yearend, neither the Utah Retirement Systems nor Public Employees Health Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.947 billion and $12.216 million, respectively, and the collateral received for those securities on loan was $2.001 billion and $12.216 million, respectively. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either the state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the state entities cannot determine. Since the securities lending collateral is in a pool maintained by the custodial bank, the state entities do not have the ability to pledge or sell the securities, and it is not necessary to report the total income and expenses of securities lending.

D. **Derivative Financial Instruments**

Utah Retirement Systems

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) invests in derivative financial investments as authorized by Board policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. At December 31, 2007, URS had four types of derivative financial investments: futures, currency forwards, options, and swaps.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing URS' credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At December 31, 2007, URS investments had the following futures balances (expressed in millions):

	Value Covered By Contract
Long—cash and cash equivalent futures	$ 400.176
Long—equity futures	$ 2,015.513
Long—debt securities futures	$ 310.150
Short—debt securities futures	$ (268.596)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At December 31, 2007, URS investments included the following currency forwards balances (expressed in billions):

Currency forwards (*pending foreign exchange purchases)*	$	1.074
Currency forwards (*pending foreign exchange sales)*	$	(1.078)

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, 2007, URS investments had the following options balances (expressed in thousands):

		Value Covered By Contract
Cash and cash equivalent purchased call options	$	(503)
Cash and cash equivalent purchased put options	$	(27)

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 effectively convert their long-term variable interest rate credit facility loans into fixed interest rate loans, thereby mitigating some of their interest rate risk. The credit default swaps protect 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, 2007, URS investments had the following swap market value balances:

Utah Retirement Systems (pension and other employee benefit trust funds)
Interest Rate Swaps
December 31, 2007
(Expressed in Millions)

	Outstanding Notational Amount*	Interest Rate**	Maturity Date	Fair Value
Interest Rate Swaps				
Interest Rate Swaps	$ 1,292.889	4.057 – 5.464 % LIBOR	2008–2021	$ (47.322)
Credit Default Swaps				
Morgan Stanley Credit Default Swaps	$ 111.000		9/29/2008	$ (0.594)

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

Utah Housing Corporation

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

Objective — In order to protect against the potential of rising interest rates, the Corporation has entered into 76 separate pay-fixed, receive-variable interest rate swaps and one Interest Rate Cap Agreement as of June 30, 2008. 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, 2008, 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, 2008
(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					
$ 565,385	2000–2006	3.939 % to 5.610 %	SIFMA* plus .27 %	$ (40,476)	2012–2030
124,000	2007	3.730 % to 4.253 %	SIFMA* plus .11 %	(6,042)	2026–2030
37,450	2008	3.713 % to 4.000 %	SIFMA* plus .08 %	(349)	2028–2032
40,455	2000–2006	4.640 % to 7.760 %	LIBOR** plus .15 %	(5,174)	2008–2029
25,610	2008	5.301 % to 5.545 %	LIBOR** plus .01 %	(1,528)	2038
$ 792,900				$ (53,569)	
Interest Rate Cap Agreements					
$ 1,660	2005	1.02 %	Excess of SIFMA * over 5.73 %	$ (106)	2027

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

Swap Contract Terminations — On July 1, 2007, the Corporation exercised early call options on six swap contracts. As a result, swap contracts with a total notional amount of $18.35 million were terminated, resulting in a gain of $36 thousand, which is offset against interest expense on the Statement of Revenues, Expense, and Changes in Net Assets.

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.

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/Cross-over Risk.

Tax / Cross-over Risk — Twenty-seven of the Corporation's SIFMA 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 SIFMA 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 SIFMA rate is. In addition, various of the Corporation's SIFMA 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 SIFMA rate is. As of June 30, 2008, 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, 2008, the Corporation's swap termination dates ranged from 0 to 24.5 years prior to the maturity dates of the associated debt.

NOTE 4. INVESTMENT POOL

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

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

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

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

The PTIF condensed financial statements, inclusive of external and internal participants along with the portfolio statistics for the fiscal year ended June 30, 2008, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2008
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 640,652
Investments	10,001,842
Interest Receivable	40,522
Total Assets	$ 10,683,016
Net Assets Consist of:	
External Participant Account Balances	$ 6,484,232
Internal Participant Account Balances:	
Primary Government	3,684,179
Component Units	527,846
Undistributed Reserves and Unrealized Gains/Losses	(13,241)
Net Assets	$ 10,683,016
Participant Account Balance Net Asset Valuation Factor	.996952

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 11,260,650
Investment Income:	
Investment Earnings	470,822
Fair Value Increases (Decreases)	(30,583)
Total Investment Income	440,239
Less Administrative Expenses	(255)
Net Investment Income	439,984
Total Additions	11,700,634
Deductions	
Pool Participant Withdrawals	10,606,104
Earnings Distributions	465,671
Total Deductions	11,071,775
Net Increase From Operations	628,859
Net Assets	
Beginning of Year	10,054,157
Net Assets – End of Year	$ 10,683,016

Public Treasurer's Investment Fund
Portfolio Statistics

June 30, 2008

	Range of Yields	Weighted Average Maturity
Money Market Mutual Fund	2.10 % – 2.58 %	1.00 days
Certificates of Deposit – Negotiable	2.15 % – 3.45 %	64.10 days
Certificates of Deposit – Nonnegotiable	2.50 % – 2.93 %	82.40 days
U.S. Agencies	2.26 % – 5.20 %	512.72 days
Corporate Bonds and Notes	2.35 % – 5.40 %	53.29 days
Commercial Paper	2.47 % – 4.98 %	17.47 days

June 30, 2008

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	3.03 %	61.27 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, 2008, were $58.021 million. Of those, $57.221 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, 2008, are presented below.

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

Investment Type	Fair Value	Investment Maturities (in years): Less Than 1	1–5
Debt Securities			
U.S. Agencies	$ 255,115	$ 70,427	$ 184,688
Corporate Bonds and Notes	9,196,073	9,196,073	—
Negotiable Certificates of Deposit	360,331	360,331	—
Money Market Mutual Fund	420,000	420,000	—
Commercial Paper	374,631	374,631	—
	$ 10,606,150	$ 10,421,462	$ 184,688

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

Interest Rate Risk — Investments

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

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The PTIF follows the Money Management Act as its policy for reducing exposure to investment credit risk. The PTIF's rated debt investments as of June 30, 2008, 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)

Rated Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 255,115	$ 255,115	$ —	$ —	$ —
Corporate Bonds and Notes	$ 9,196,073	$ 437,546	$ 2,339,753	$ 5,765,999	$ 652,775
Negotiable Certificates of Deposit	$ 360,331	$ —	$ 64,844	$ 246,580	$ 48,907
Money Market Mutual Fund	$ 420,000	$ 85,000	$ —	$ —	$ —
Commercial Paper	$ 374,631	$ —	$ —	$ —	$ —

Continues Below

Rated Debt Investments	Quality Ratings A1 *	Not Rated
U.S. Agencies	$ —	$ —
Corporate Bonds and Notes	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —
Money Market Mutual Fund	$ —	$ 335,000
Commercial Paper	$ 374,631	$ —

***** A1 is Commercial Paper rating

Concentration of Credit Risk — Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The PTIF's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5 percent of the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies. The PTIF had no debt securities investments at June 30, 2008, with more than 5 percent of the total investments in a single issuer.

(Notes continue on next page.)

NOTE 5. RECEIVABLES

Receivables as of June 30, 2008, consisted of the following (in thousands):

	Accounts Receivable					
	Federal	**Customer**	**Other**	**Interest**	**Taxes**	**Notes/ Mortgages**
Governmental Activities:						
General Fund	$ 298,554	$ 199,065	$ 2,979	$ 31	$ 249,087	$ 2,716
Education Fund	—	2,095	—	—	617,648	—
Uniform School Fund	29,842	15	—	—	—	8,216
Transportation Fund	68,392	9,467	2,711	—	50,190	353
Transportation Investment Fund	362	47	—	—	20,174	—
Trust Lands	—	—	18,755	2,342	—	2,400
Nonmajor Funds	—	8,996	—	49	—	—
Internal Service Funds	—	7,568	—	—	—	694
Adjustments:						
Fiduciary Funds	—	—	417	—	—	—
Total Receivables	397,150	227,253	24,862	2,422	937,099	14,379
Less Allowance for Uncollectibles:						
General Fund	—	(50,698)	—	—	(16,614)	(1,207)
Education Fund	—	—	—	—	(83,220)	—
Transportation Fund	—	—	(329)	—	(1,941)	—
Transportation Investment Fund	—	—	—	—	(1,593)	—
Receivables, net	$ 397,150	$ 176,555	$ 24,533	$ 2,422	$ 833,731	$ 13,172
Current Receivables	$ 397,150	$ 153,815	$ 6,519	$ 2,422	$ 783,632	$ 3,339
Noncurrent Receivables	—	22,740	18,014	—	50,099	9,833
Total Receivables, net	$ 397,150	$ 176,555	$ 24,533	$ 2,422	$ 833,731	$ 13,172
Business-type Activities:						
Student Assistance Programs	$ 10,136	$ 1,292	$ —	$ 31,176	$ —	$ 2,043,935
Unemployment Compensation	22	63,602	—	—	—	—
Water Loan Programs	—	447	—	9,774	—	553,051
Nonmajor Funds	1,262	26,398	—	4,693	—	374,919
Total Receivables	11,420	91,739	0	45,643	0	2,971,905
Less Allowance for Uncollectibles:						
Student Assistance Programs	—	—	—	—	—	(3,322)
Unemployment Compensation	—	(8,415)	—	—	—	—
Receivables, net	$ 11,420	$ 83,324	$ 0	$ 45,643	$ 0	$ 2,968,583

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, 2008, were $1.87 billion for major component units and $62.591 million for nonmajor component units, net of an allowance for doubtful accounts of $137.433 million and $5.157 million, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2008, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds	Interest	Total
Governmental Activities:							
General Fund	$ 47,999	$ 206,346	$ 38,930	$ 111,050	$ 10,133	$ —	$ 414,458
Education Fund	—	—	—	—	27,760	—	27,760
Uniform School Fund	2,144	2,221	15,196	19,682	—	—	39,243
Transportation Fund	5,174	11	138,337	77,406	1,103	—	222,031
Nonmajor Funds	90	—	35,672	891	—	28,473	65,126
Internal Service Funds	5,378	9	22,752	—	—	5	28,144
Adjustments:							
Fiduciary Funds	—	—	—	1,221	—	—	1,221
Other	—	—	—	—	—	966	966
Total Governmental Activities	$ 60,785	$ 208,587	$ 250,887	$ 210,250	$ 38,996	$ 29,444	$ 798,949
Business-type Activities:							
Student Assistance Programs	$ 1,193	$ —	$ 6,953	$ 1,284	$ —	$ 8,172	$ 17,602
Unemployment Compensation	—	8,371	—	555	—	—	8,926
Water Loan Programs	—	—	428	—	—	—	428
Nonmajor Funds	1,799	—	14,184	111	—	297	16,391
Adjustments:							
Fiduciary Funds	—	—	—	192	—	—	192
Total Business-type Activities	$ 2,992	$ 8,371	$ 21,565	$ 2,142	$ 0	$ 8,469	$ 43,539

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

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

(Notes continue on next page.)

NOTE 7. INTERFUND BALANCES AND LOANS

Interfund Balances

Interfund balances at June 30, 2008, consisted of the following (in thousands):

Due to General Fund from:	
Uniform School Fund	$ 298
Transportation Fund	1,041
Trust Lands Fund	59
Nonmajor Governmental Funds	3,687
Unemployment Compensation Fund	9,030
Nonmajor Enterprise Funds	17,464
Internal Service Funds	4,549
Fiduciary Funds	46
Total due to General Fund from other funds	$ 36,174
Due to Uniform School Fund from:	
General Fund	$ 607
Transportation Fund	1
Nonmajor Governmental Funds	2
Internal Service Funds	60
Total due to Uniform School Fund from other funds	$ 670
Due to Transportation Fund from:	
General Fund	$ 108
Uniform School Fund	3
Transportation Investment Fund	3,279
Nonmajor Governmental Funds	4
Internal Service Funds	1,669
Total due to Transportation Fund from other funds	$ 5,063
Due to Trust Lands Fund from Nonmajor Enterprise Funds	$ 16,214
Due to Nonmajor Governmental Funds from:	
General Fund	$ 2,434
Transportation Fund	42
Nonmajor Governmental Funds	5,069
Nonmajor Enterprise Funds	16
Internal Service Funds	209
Fiduciary Funds	361
Total due to Nonmajor Governmental Funds from other funds	$ 8,131
Due to Water Loan Programs from:	
General Fund	$ 223
Trust Lands Fund	47
Nonmajor Governmental Funds	83
Total due to Water Loan Programs from other funds	$ 353
Due to Nonmajor Enterprise Funds from:	
General Fund	$ 556
Transportation Fund	261
Trust Lands	66
Nonmajor Governmental Funds	14,371
Water Loan Programs	22
Internal Service Funds	6
Total due to Nonmajor Enterprise Funds from other funds	$ 15,282
Due to Internal Service Funds from:	
General Fund	$ 30,456
Uniform School Fund	225
Transportation Fund	5,498
Nonmajor Governmental Funds	1,550
Nonmajor Enterprise Funds	346
Internal Service Funds	24
Fiduciary Funds	10
Total due to Internal Service Funds from other funds	$ 38,109
Due to Fiduciary Funds from:	
General Fund	$ 1,112
Uniform School Fund	21
Transportation Fund	78
Nonmajor Governmental Funds	10
Nonmajor Enterprise Funds	192
Total due to Fiduciary Funds from other funds	$ 1,413
Total Due to/Due froms	$ 121,409

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, 2008, consisted of the following (in thousands):

Payable to General Fund from Internal Service Funds	$ 38,884
Payable to Uniform School Fund from Internal Service Funds	121
Total Interfund Loans Receivable/Payable	$ 39,005

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 $38.884 million includes $22.237 million that is not expected to be repaid within one year.

(Notes continue on next page.)

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not being Depreciated:				
Land and Related Assets	$ 849,445	$ 71,106	$ (12,103)	$ 908,448
Infrastructure	7,858,755	174,140	(56,219)	7,976,676
Construction-In-Progress	1,214,211	811,017	(467,882)	1,557,346
Total Capital Assets Not being Depreciated	9,922,411	1,056,263	(536,204)	10,442,470
Capital Assets being Depreciated:				
Buildings and Improvements	1,216,669	241,630	(1,161)	1,457,138
Infrastructure	33,921	13,319	(25)	47,215
Machinery and Equipment	485,215	51,543	(24,680)	512,078
Total Capital Assets being Depreciated	1,735,805	306,492	(25,866)	2,016,431
Less Accumulated Depreciation for:				
Buildings and Improvements	(427,183)	(33,949)	197	(460,935)
Infrastructure	(8,805)	(1,389)	6	(10,188)
Machinery and Equipment	(343,367)	(33,666)	16,537	(360,496)
Total Accumulated Depreciation	(779,355)	(69,004)	16,740	(831,619)
Total Capital Assets being Depreciated, Net	956,450	237,488	(9,126)	1,184,812
Capital Assets, Net	$10,878,861	$1,293,751	$ (545,330)	$11,627,282
Business-type Activities:				
Capital Assets Not being Depreciated:				
Land and Related Assets	$ 10,035	$ 3,256	$ (75)	$ 13,216
Construction-In-Progress	990	6,823	(6,514)	1,299
Total Capital Assets Not being Depreciated	11,025	10,079	(6,589)	14,515
Capital Assets being Depreciated:				
Buildings and Improvements	48,251	6,731	(95)	54,887
Infrastructure	304	—	—	304
Machinery and Equipment	15,074	709	(207)	15,576
Total Capital Assets being Depreciated	63,629	7,440	(302)	70,767
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,469)	(1,347)	56	(11,760)
Infrastructure	(61)	(6)	—	(67)
Machinery and Equipment	(11,662)	(979)	207	(12,434)
Total Accumulated Depreciation	(22,192)	(2,332)	263	(24,261)
Total Capital Assets being Depreciated, Net	41,437	5,108	(39)	46,506
Capital Assets, Net	$ 52,462	$ 15,187	$ (6,628)	$ 61,021

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 2008, $55.081 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	$ 8,421
Human Services and Youth Corrections	5,135
Corrections, Adult	5,332
Public Safety	4,382
Courts	5,521
Health and Environmental Quality	2,132
Employment and Family Services	2,174
Natural Resources	8,429
Community and Culture	442
Business, Labor, and Agriculture	892
Public Education	571
Transportation	8,161
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of services provided	17,412
Total	$ 69,004

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	$ —	$ 66,515	$ 17,066	$ 76,569	$ 161,622
Construction-In-Progress	—	—	190,652	22,475	28,712	241,839
Total Capital Assets Not being Depreciated	1,472	0	257,167	39,541	105,281	403,461
Capital Assets being Depreciated:						
Building and Improvements	5,064	—	1,359,854	567,648	1,143,900	3,076,466
Infrastructure	—	—	162,435	—	27,816	190,251
Machinery and Equipment	1,661	3,240	717,392	184,455	177,828	1,084,576
Total Capital Assets being Depreciated	6,725	3,240	2,239,681	752,103	1,349,544	4,351,293
Less Total Accumulated Depreciation	(1,565)	(2,648)	(1,148,808)	(318,392)	(522,393)	(1,993,806)
Total Capital Assets being Depreciated, Net	5,160	592	1,090,873	433,711	827,151	2,357,487
Discretely Presented Component Units – Capital Assets, Net	$ 6,632	$ 592	$ 1,348,040	$ 473,252	$ 932,432	$ 2,760,948

(Continues on next page.)

The State had long-term construction project commitments totaling $181.434 million at June 30, 2008. 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
05225750	U of U – Hospital Expansion	$ 39,775
06281150	St. George Courthouse	17,244
05174250	UBATC Vernal Branch Building	16,884
02156050	State Capitol Restoration	11,916
07032730	SUU – Campus Housing	11,609
07036220	DATC Barlow Technology	8,682
05027810	WSU – Humanities Building / Chilled Water Plant Design	7,193
04030750	WSU – Hurst Center	6,769
04030750	U of U Sutton Geology and Geophysics Building	5,869
07042390	Unified State Lab Facility	5,637
03215810	WSU – Student Union Renovation	3,978
02032750	U of U – Marriott Library Renovation	3,959
02243750	U of U – New Museum of Natural History	3,378
06292700	USU – USTAR Life Sciences Building	3,152
05188790	UVU – Digital Learning Center	2,901
05050640	Dixie – Health Sciences Building	2,569
07010900	UDOT – Panguitch Maintenance Station	1,583
05196750	U of U – New Humanities Building	1,435
07284100	UCI Warehouse at Draper Prison	1,338
07037550	SL County Joint DLD/DMV	1,187
05051030	SLC Downtown Wine Store	1,134
—	All Others	23,242
	Total Commitments	$ 181,434

(Notes continue on next page.)

NOTE 9. LEASE COMMITMENTS

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

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

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

The primary government's capital lease payments were $1.59 million in principal and $1.044 million in interest for fiscal year 2008. As of June 30, 2008, the historical cost of the primary government's assets acquired through capital leases was $28.388 million of which $26.850 million was buildings and $1.538 million was equipment and other depreciable assets. As of June 30, 2008, the accumulated depreciation of the primary government's assets acquired through capital leases was $10.729 million of which $9.995 million was buildings and $734 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 2008 were $30.378 millions for the primary government and $33.494 million for component units. For fiscal year 2007, the operating lease expenditures were $27.913 million for the primary government and $32.445 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2008, 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
2009	$ 22,972	$ 27,481	$ 50,453	$ 2,496	$ 17,093	$ 19,589
2010	18,322	24,351	42,673	2,401	14,634	17,035
2011	14,675	21,249	35,924	2,043	12,257	14,300
2012	10,632	18,048	28,680	1,722	9,755	11,477
2013	7,600	15,167	22,767	1,677	7,115	8,792
2014–2018	10,562	44,942	55,504	7,856	12,803	20,659
2019–2023	3,422	21,910	25,332	7,238	9,172	16,410
2024–2028	375	6,198	6,573	1,043	1,625	2,668
2029–2033	11	60	71	—	—	—
2034–2038	10	—	10	—	—	—
2039–2043	10	—	10	—	—	—
2044–2048	10	—	10	—	—	—
2049–2053	10	—	10	—	—	—
2054–2059	8	—	8	—	—	—
Total Future Minimum Lease Payments	$ 88,619	$ 179,406	$ 268,025	26,476	84,454	110,930
Less Amounts Representing Interest				(7,707)	(14,379)	(22,086)
Present Value of Future Minimum Lease Payments				$ 18,769	$ 70,075	$ 88,844

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

Long-term Liabilities
(Expressed in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 1,237,170	$ 75,000	$ (150,660)	$ 1,161,510	$ 167,700
State Building Ownership Authority					
Lease Revenue Bonds	273,538	—	(111,924)	161,614	12,960
Net Unamortized Premiums	66,581	1,557	(17,127)	51,011	—
Deferred Amount on Refunding	(17,732)	—	4,111	(13,621)	—
Capital Leases (Note 9)	18,228	2,131	(1,590)	18,769	1,490
Contracts Payable	602	—	(43)	559	47
Compensated Absences (Notes 1 and 17)*	185,630	66,710	(65,759)	186,581	74,523
Claims	44,755	8,123	(11,593)	41,285	16,003
Pollution Remediation Obligation**	6,339	2,887	(1,384)	7,842	1,012
Arbitrage Liability (Note 1)	109	—	(109)	—	—
Total Governmental Long-term Liabilities	$ 1,815,220	$ 156,408	$ (356,078)	$ 1,615,550	$ 273,735
Business-type Activities					
Revenue Bonds	$ 2,137,655	$ 99,670	$ (72,145)	$ 2,165,180	$ 5,355
State Building Ownership Authority					
Lease Revenue Bonds	36,552	15,380	(1,686)	50,246	2,075
Net Unamortized Premiums	879	367	(129)	1,117	—
Deferred Amount on Refunding	(365)	—	47	(318)	—
Claims and Uninsured Liabilities	4,678	149,924	(148,816)	5,786	4,128
Arbitrage Liability (Note 1)	72,487	—	(6,542)	65,945	608
Total Business-type Long-term Liabilities	$ 2,251,886	$ 265,341	$ (229,271)	$ 2,287,956	$ 12,166
Component Units					
Revenue Bonds	$ 2,115,083	$ 390,200	$ (266,822)	$ 2,238,461	$ 143,132
Net Unamortized Premiums/(Discounts)	1,954	14	(40)	1,928	(63)
Capital Leases/Contracts Payable (Notes 9 and 10)	72,795	22,031	(18,491)	76,335	15,733
Notes Payable	38,649	10,282	(3,660)	45,271	3,894
Claims	123,279	582,905	(581,739)	124,445	73,013
Leave/Termination Benefits (Note 1)	91,856	52,616	(48,519)	95,953	23,542
Total Component Unit Long-term Liabilities	$ 2,443,616	$ 1,058,048	$ (919,271)	$ 2,582,393	$ 259,251

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

****** Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. As a result of implementing GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, additional pollution liabilities of $2.887 million were reported for June 30, 2008, in addition to $6.339 million in pollution liabilities previously reported. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

B. General Obligation Bonds

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities and for highway construction. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 2008, the State had $201.7 million and $1.23 billion of authorized but unissued general obligation building and highway bond authorizations remaining, respectively. General obligation bonds payable information is presented below.

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2008
1998 A Highway/Capital Facility Issue	07/07/98	2001–2008	5.00 %	$ 265,000	$ 18,725
2001 B Highway/Capital Facility Issue	07/02/01	2004–2009	4.50 %	$ 348,000	73,775
2002 A Highway/Capital Facility Issue	06/27/02	2003–2011	3.00 % to 5.25 %	$ 281,200	23,600
2002 B Refunding Issue	07/31/02	2004–2012	3.00 % to 5.38 %	$ 253,100	250,580
2003 A Highway/Capital Facility Issue	06/26/03	2005–2013	2.00 % to 5.00 %	$ 407,405	293,425
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	111,630
2007 Highway/Capital Facility Issue	07/03/07	2008–2014	4.00 % to 5.00 %	$ 75,000	75,000
Total General Obligation Bonds Outstanding					1,161,510
Plus Unamortized Bond Premium					49,390
Less Deferred Amount on Refunding					(12,728)
Total General Obligation Bonds Payable					$ 1,198,172

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

Fiscal Year	Principal: 1998 A Highway/ Capital Facility	2001 B Highway/ Capital Facility	2002 A Highway/ Capital Facility	2002 B Refunding Bonds	2003 A Highway/ Capital Facility	2004 A Refunding Bonds	2004 B Highway/ Capital Facility
2009	$ 18,725	$ 36,125	$ 5,525	$ 29,455	$ 59,300	$ —	$ 9,970
2010	—	37,650	5,750	50,835	61,125	—	11,180
2011	—	—	6,000	53,670	50,025	39,310	25,755
2012	—	—	6,325	56,705	15,100	40,830	30,600
2013	—	—	—	59,915	52,575	11,245	3,575
2014–2018	—	—	—	—	55,300	223,390	20,725
2019–2023	—	—	—	—	—	—	9,825
Total	$ 18,725	$ 73,775	$ 23,600	$ 250,580	$ 293,425	$ 314,775	$ 111,630

Continues Below

Fiscal Year	Principal: 2007 Highway/ Capital Facility	Total Principal Required	Total Interest Required	Total Amount Required
2009	$ 8,600	$ 167,700	$ 48,866	$ 216,566
2010	8,950	175,490	40,559	216,049
2011	10,185	184,945	31,503	216,448
2012	15,030	164,590	23,454	188,044
2013	10,300	137,610	16,452	154,062
2014–2018	21,935	321,350	24,871	346,221
2019–2023	—	9,825	251	10,076
Total	$ 75,000	$1,161,510	$ 185,956	$ 1,347,466

C. **Revenue Bonds**

Revenue bonds payable consists of those issued by the Utah State Building Ownership Authority, the Utah State Board of Regents Student Loan Purchase Program, the Utah Housing Corporation, and various colleges and universities. These bonds are not considered general obligations of the State.

Governmental Activities

The Utah State Building Ownership Authority (SBOA) has issued bonds for the purchase and construction of facilities to be leased to state agencies and other organizations. The bonds are secured by the facilities and repayment is made from lease income appropriated by the Legislature and is not considered pledged revenue of the State. The outstanding bonds payable at June 30, 2008, are reported as a long-term liability of the governmental activities, except for $48.485 million and $2.52 thousand which are reported in the Alcoholic Beverage Control Fund, and the Utah Correctional Industries Fund (nonmajor enterprise funds), respectively. These portions are reported as liabilities of the business-type activities on the government-wide statement of net assets.

Business-type Activities

The Utah State Board of Regents Student Loan Purchase Program (Student Assistance Programs) bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Funds and by the revenues and receipts derived from such assets. The Board of Regents has also issued a revenue bond for an office facility secured by funds within the Board of Regents budget that would otherwise be expended for rent.

The Student Assistance Programs include $491.305 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent. The Programs bonds also include adjustable rate bonds that are set by an auction procedure every 28 days in the amount of $847.1 million and $809.725 million of bonds that are auctioned every 35 days.

The Student Assistance Programs bonds issued under the 1988 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of: Student loans acquired under the indenture; all proceeds of the bonds and net revenues in the funds and accounts; and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $598.905 million of outstanding student loan revenue bonds which are payable through 2045. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $80.956 million and $33.660 million, respectively.

The Student Assistance Programs bonds issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $1,556.790 million of outstanding student loan revenue bonds which are payable through 2046. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $88.735 million and $74.690 million, respectively.

Discrete Component Units

The Utah Housing Corporation revenue bonds were issued to provide sources of capital for making housing loans to persons of low or moderate income. Bonds repayments are made from the pledged mortgage payments.

The University of Utah, Utah State University and nonmajor component units issued revenue bonds for various capital purposes including student housing, special events centers, student union centers, and hospital and research facilities. The bonds are secured by pledged student building fees and other income of certain college activities.

Information on pledged revenues for discrete component units for the fiscal year ended June 30, 2008, is presented below.

(*Table on next page*.)

Pledged Revenue — Component Units
(Expressed in Thousands)

	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units
Type of Revenue Pledged*	D	A, B, C	A, B	A
Amount of Pledged Revenue	$3,224,651	$463,330	$128,747	$112,563
Term of Commitment	Thru 2050	Thru 2032	Thru 2035	Thru 2032
Percent of Revenue Pledged	100 %	100 %	100 %	100 %
Current Year Pledged Revenue	$ 107,920	$ 97,353	$ 25,363	$ 11,534
Current Year Principal and Interest Paid	$ 314,871	$ 28,196	$ 6,623	$ 9,945

*Type of Revenue Pledged:

A = Student and housing fees, auxiliary net revenues from bookstores, parking, stadium and event centers, and other campus generated charges and fees.

B = Research net revenue generated from the recovery of allocated facilities and administrative rates to grants and contracts.

C = Hospital and clinic net revenues from providing various health and psychiatric services to the community.

D = Principal and interest repayments from issuing and servicing mortgage loans on single and multi-family housing.

(*Continues on next page*.)

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2008
		Governmental Activities			
SBOA Lease Revenue Bonds:					
Series 1992 A	07/15/92	1993–2011	5.30 % to 5.75 %	$ 26,200	$ 8,025
Series 1992 B	07/15/92	1994–2011	4.00 % to 6.00 %	$ 1,380	435
Series 1993 A	12/01/93	1995–2013	4.50 % to 5.25 %	$ 6,230	2,235
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 101,557	84,760
Series 1999 A	08/01/99	2001–2009	5.25 %	$ 6,960	290
Series 2001 A	11/21/01	2005–2021	4.00 % to 5.00 %	$ 69,850	5,350
Series 2001 B	11/21/01	2002–2024	3.00 % to 5.75 %	$ 14,240	12,215
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 20,820	17,475
Series 2004 A	10/26/04	2005–2027	3.00 % to 5.25 %	$ 32,458	30,829
Total Lease Revenue Bonds Outstanding					161,614
Plus Unamortized Bond Premium					1,621
Less Deferred Amount on Refunding					(893)
Total Lease Revenue Bonds Payable					$ 162,342
		Business-type Activities			
Student Assistance Programs:					
Series 1988 and 1993 Trust Estate Student Loan Indentures	1988–2007	1998–2046	Variable and 4.45 % to 6.00 %	$2,181,050	$ 2,155,695
Office Facility Bond Fund	2002, 2004	2003–2024	3.00 % to 5.13 %	$ 11,780	9,485
Total Revenue Bonds Outstanding					2,165,180
Plus Unamortized Bond Premium					40
Total Revenue Bonds Payable					$ 2,165,220
SBOA Lease Revenue Bonds:					
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 3,543	$ 3,190
Series 1999 A	08/01/99	2001–2009	5.25 %	$ 2,495	115
Series 2001 B	11/21/01	2004–2023	3.25 % to 5.25 %	$ 11,540	9,480
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 1,905	1,620
Series 2004 A	10/26/04	2005–2025	3.00 % to 5.25 %	$ 13,347	12,386
Series 2006 A	01/10/06	2006–2027	3.50 % to 5.00 %	$ 8,355	8,075
Series 2007 A	07/10/07	2009–2028	4.25 % to 5.00 %	$ 15,380	15,380
Total Lease Revenue Bonds Outstanding					50,246
Plus Unamortized Bond Premium					1,077
Less Deferred Amount on Refunding					(318)
Total Lease Revenue Bonds Payable					$ 51,005
Total Lease Revenue/ Revenue Bonds Payable					$ 2,378,567

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

	Principal							
Fiscal Year	Student Assistance Programs	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority	1998 C Utah State Building Ownership Authority	1999 A Utah State Building Ownership Authority	2001 A Utah State Building Ownership Authority	2001 B Utah State Building Ownership Authority
2009	$ 5,355	$ 1,835	$ 100	$ 400	$ 7,535	$ 405	$ —	$ 1,005
2010	76,610	1,945	105	425	7,950	—	—	1,055
2011	510	2,060	110	445	8,410	—	—	1,090
2012	535	2,185	120	470	8,345	—	—	1,135
2013	555	—	—	495	8,805	—	—	1,175
2014–2018	457,340	—	—	—	44,795	—	—	6,705
2019–2023	3,450	—	—	—	2,110	—	5,350	8,485
2024–2028	135,775	—	—	—	—	—	—	1,045
2029–2033	89,500	—	—	—	—	—	—	—
2034–2038	364,500	—	—	—	—	—	—	—
2039–2043	493,875	—	—	—	—	—	—	—
2044–2048	537,175	—	—	—	—	—	—	—
Total	$2,165,180	$ 8,025	$ 435	$ 2,235	$ 87,950	$ 405	$ 5,350	$ 21,695

Continues Below

	Principal						
Fiscal Year	2003 Utah State Building Ownership Authority	2004 A Utah State Building Ownership Authority	2006 A Utah State Building Ownership Authority	2007 A Utah State Building Ownership Authority	Total Principal Required	Interest Required	Total Amount Required
2009	$ 1,240	$ 1,930	$ 290	$ 295	$ 20,390	$ 73,812	$ 94,202
2010	1,275	2,405	300	520	92,590	71,932	164,522
2011	1,325	2,550	315	545	17,360	69,627	86,987
2012	1,375	2,665	325	565	17,720	68,714	86,434
2013	1,440	2,795	335	585	16,185	67,832	84,017
2014–2018	4,530	15,130	1,900	3,350	533,750	235,179	768,929
2019–2023	5,565	10,105	2,330	4,185	41,580	170,947	212,527
2024–2028	2,345	5,635	2,280	5,335	152,415	156,382	308,797
2029–2033	—	—	—	—	89,500	149,088	238,588
2034–2038	—	—	—	—	364,500	119,902	484,402
2039–2043	—	—	—	—	493,875	72,371	566,246
2044–2048	—	—	—	—	537,175	30,656	567,831
Total	$ 19,095	$ 43,215	$ 8,075	$ 15,380	$ 2,377,040	$ 1,286,442	$ 3,663,482

Revenue Bonds Payable — Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2008
Utah Housing Corporation Issues	1994–2008	2008–2050	Variable and 1.50 % to 9.00 %	$ 2,949,293	$ 1,750,563
University of Utah Revenue Bonds	1987–2007	2013–2032	Variable and 3.00 % to 6.75 %	$ 476,320	$ 331,076
Utah State University Revenue Bonds	2002–2007	2014–2035	1.90 % to 5.25 %	$ 89,670	$ 79,611
Nonmajor Component Units Revenue Bonds	1995–2007	2008–2032	2.00 % to 6.00 %	$ 105,420	$ 77,211
Total Revenue Bonds Outstanding					2,238,461
Colleges and Universities Plus Unamortized Bond Premium					1,928
Total Revenue Bonds Payable					$ 2,240,389

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

	Principal						
Fiscal Year	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2009	$ 123,185	$ 11,584	$ 3,296	$ 5,067	$ 143,132	$ 100,262	$ 243,394
2010	30,580	12,699	3,438	5,317	52,034	100,615	152,649
2011	32,232	15,284	3,605	5,016	56,137	98,151	154,288
2012	31,963	13,938	3,767	5,914	55,582	95,488	151,070
2013	32,264	14,427	3,950	4,008	54,649	93,369	148,018
2014–2018	176,747	72,871	20,565	18,894	289,077	422,835	711,912
2019–2023	213,190	72,656	10,765	15,980	312,591	348,751	661,342
2024–2028	306,262	75,367	12,020	9,050	402,699	262,544	665,243
2029–2033	389,087	42,249	12,370	7,966	451,672	155,841	607,513
2034–2038	322,964	—	5,835	—	328,799	58,625	387,424
2039–2043	67,789	—	—	—	67,789	13,557	81,346
2044–2048	18,500	—	—	—	18,500	3,749	22,249
2049–2053	5,800	—	—	—	5,800	478	6,278
Total	$ 1,750,563	$ 331,075	$ 79,611	$ 77,212	$ 2,238,461	$ 1,754,265	$ 3,992,726

D. **Conduit Debt Obligations**

Of the Utah Housing Corporation (component unit) bonds outstanding, $313.38 million were issued as multi-family purchase bonds. Of those bonds, $311.845 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, 2008, is $5.6 million.

The State Charter School Finance Authority (component unit) issued conduit debt obligations on behalf of various charter schools. The debt is the responsibility of the charter schools, and neither the State nor any political subdivision of the State is obligated in any manner for repayment of the debt. Accordingly, this debt has not been reported in the accompanying financial statements. The outstanding balance at June 30, 2008, is $39.812 million in tax-exempt and $660 thousand in taxable conduit debt.

E. **Demand Bonds**

- The Student Loan Purchase Program had $491.305 million of demand bonds outstanding at June 30, 2008, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the Board's remarketing agent.

  In the event bonds cannot be remarketed, the Board has standby bond purchase agreements and a letter of credit agreement sufficient to pay the purchase price of bonds delivered to it. The Board pays quarterly fees to maintain the standby bond purchase agreements and letter of credit on the demand bonds.

  The Program has an irrevocable direct-pay letter of credit expiring November 15, 2011, in the amount of $37.462 million to support the Series 1993 A bonds of $35 million. In addition, the Program has a 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 to support the Series 1995 L bonds of $79.5 million, $108.42 million expiring April 29, 2025 to support the Series 1996 Q and 1997 R bonds of $101.055 million, $158.753 million expiring February 11, 2024 to support the 2005 Series W and X bonds of $151.08 million, and $106.934 million expiring November 29, 2012 to support the 2007 series Y bonds of $99.67 million.

  As of June 30, 2008, the Program had drawn $444.33 million upon the liquidity facility to support certain bonds under the 1988 Series C, 1995 Series L, 1996 Series Q, 1997 Series R, 2005 Series W, and 2005 Series X which had not been remarketed. Under the terms of the liquidity facility, the interest on the bonds held in the liquidity facility are paid at the Bank Rate which is defined as the greater of the Federal Funds Rate plus .50% per annum, or the Prime Rate. The Bank Rate on the bonds increases by 1.25% if the bonds remain in the liquidity facility for more than 90 days. The Bank Rate for the year ended June 30, 2008 ranged between 5% and 6.25%. The bonds are redeemable in semi-annual installments from available funds, provided that all of the unpaid principal amount of Bank Bonds shall be redeemed by the seventh anniversary of the Bank Purchase Date.

  As of June 30. 2008, there were insufficient clearing bids on all of the Program's bonds bearing interest at an adjustable rate, which is set by auction procedure every 28 or 35 days (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.20% or LIBOR plus 1.50% for such one year period. For a tax exempt bond the Maximum Auction Rate means, for any auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the After Tax Equivalent Rate plus 175% or the Kenny Index for such one year period absent a change in the rating on the bonds. The Maximum Auction Rate for the year ended June 30, 2008 ranged between 0% and 16.62%

- The Utah Housing Corporation (component unit) had $870.715 million of bonds outstanding at June 30, 2008, 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 $960 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 $9.42 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University's tender agent. If the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable standby bond purchase agreement to pay the purchase price of the bonds delivered to it. The standby bond purchase agreement is with J.P. Morgan Chase Bank and is valid through July 30, 2010. No funds have been drawn against the standby bond purchase agreement. The interest requirement for the Series 1997 A Bonds is calculated using an interest rate of 1.6 percent, which is the rate in effect as of June 30, 2008.

The University's Hospital Revenue Bonds Series 2006 B in the amount of $20.24 million currently bear interest at a daily rate in accordance with the bond provisions. When a daily rate is in effect, these bonds are also subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The University's remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to this same amount plus accrued interest. If the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable standby bond purchase agreement to pay the purchase price of the bonds delivered to it. This agreement is with DEPFA bank and is valid through October 25, 2013. No funds have been drawn against the standby purchase agreement. The interest requirement for the bonds is calculated using an annualized interest rate of 7 percent which is the rate effective at June 30, 2008.

F. Defeased Bonds and Bond Refunding

On October 15, 2007, the Utah State Building Ownership Authority cash defeased $4.515 million of 1998 C Lease Revenue Bonds at a net cost of $4.887 million. On December 5, 2007, the Utah State Building Ownership Authority cash defeased $56.2 million of 2001 A Lease Revenue Bonds at a net cost of $58.594 million, and cash defeased $8.525 million of 2004 B Lease Revenue Bonds at a net cost of $8.507 million. These funds were paid to an escrow agent to be placed in an irrevocable trust account to provide for the debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets.

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, 2008, the total amount outstanding of defeased general obligation bonds was $401.81 million. At June 30, 2008, the total amount outstanding of defeased revenue bonds was $73.7 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, 2008, $131.472 million of college and university bonds outstanding are considered defeased.

G. Contracts Payable

Component unit capital leases/contracts payable include $6.26 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 17 years. They are secured by the related assets. Payment information on notes payable is presented below.

Notes Payable Debt Service Requirements to Maturity
Component Units
For Fiscal Years Ending June 30
(Expressed in Thousands)

	Principal						
Fiscal Year	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2009	$ 27	$ 902	$ 1,777	$ 1,188	$ 3,894	$ 2,318	$ 6,212
2010	30	849	1,850	1,161	3,890	2,148	6,038
2011	33	850	1,829	526	3,238	1,935	5,173
2012	36	803	1,785	3,919	6,543	1,752	8,295
2013	40	861	1,873	487	3,261	1,422	4,683
2014–2018	95	5,350	9,852	160	15,457	4,538	19,995
2019–2023	—	2,637	5,220	—	7,857	981	8,838
2024–2028	—	—	1,131	—	1,131	22	1,153
Total	$ 261	$ 12,252	$ 25,317	$ 7,441	$ 45,271	$ 15,116	$ 60,387

I. Debt Service Requirements for Derivatives

Swap Payments and Associated Debt — As explained in Note 3.D., Utah Housing Corporation (major component unit) had entered into 76 separate pay-fixed, receive-variable interest rate swaps and one Interest Rate Cap Agreement as of June 30, 2008. Using rates as of June 30, 2008, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are presented below. As rates vary, variable-rate bond interest payments and net swap payments/(receipts) will vary. The principal, interest and net swap interest are included in the Component Unit debt service schedule presented on page 95 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
2009	$ 10,880	$ 14,262	$ 20,762	$ 45,904
2010	1,760	14,045	22,147	37,952
2011	1,965	14,010	22,085	38,060
2012	1,660	13,971	22,020	37,651
2013	1,860	13,938	21,961	37,759
2014–2018	29,390	68,761	107,964	206,115
2019–2023	95,850	63,465	98,758	258,073
2024–2028	155,455	52,851	81,149	289,455
2029–2033	258,390	34,936	50,843	344,169
2034–2038	209,575	12,226	15,586	237,387
2039–2040	22,860	462	337	23,659
Total	$ 789,645	$ 302,927	$ 463,612	$ 1,556,184

(*Notes continue on next page*.)

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, 2008, follows:

Reserved Fund Balances
(Expressed in Thousands)

	Nonlapsing Appropriations	Restricted Purposes	Total Reserved
General Fund:			
Legislature	$ 5,084	$ —	$ 5,084
Governor	15,422	2,569	17,991
Elected Officials	63,181	1	63,182
Administrative Services	6,023	3,287	9,310
Tax Commission	14,769	12,258	27,027
Human Services	11,539	5,794	17,333
Corrections	10,142	1	10,143
Public Safety	32,251	12,079	44,330
Courts	2,044	9,321	11,365
Health	6,893	23,075	29,968
Environmental Quality	1,348	6,492	7,840
Higher Education	712	—	712
Employment and Family Services	—	22,232	22,232
Natural Resources	17,963	31,372	49,335
Community and Culture	3,675	534	4,209
Business, Labor, and Agriculture	10,808	14,277	25,085
Industrial Assistance Account	—	32,049	32,049
Loans to Internal Service Funds	—	22,237	22,237
Tobacco Settlement Funds	—	1,242	1,242
Oil Overcharge Funds	—	1,203	1,203
Mineral Bonus Account	—	33,302	33,302
Other Purposes	841	34,780	35,621
Total	$ 202,695	$ 268,105	$ 470,800
Uniform School Fund:			
Minimum School Program	$ 120,574	$ —	$ 120,574
State Office of Education	22,192	—	22,192
School Building Program	—	15,790	15,790
School Land Interest	—	30,901	30,901
Loans to Internal Service Funds	—	121	121
Total	$ 142,766	$ 46,812	$ 189,578
Transportation Fund:			
Transportation	$ 26,459	$ 148,336	$ 174,795
Public Safety	—	14,110	14,110
Corridor Preservation	—	21,786	21,786
Aeronautical Programs	—	5,678	5,678
Total	$ 26,459	$ 189,910	$ 216,369
Transportation Investment Fund:			
Transportation Investment Fund of 2005	$ —	$ 57,369	$ 57,369
Centennial Highway Program	—	125,487	125,487
Total	$ —	$ 182,856	$ 182,856
Trust Lands Fund:			
Funds Held as Permanent Investments	$ —	$1,014,449	$1,014,449
Non-major Governmental Funds:			
Capital Projects	$ 181,434	$ 901	$ 182,335
Debt Service	—	5,769	5,769
Tobacco Settlement Funds	—	45,834	45,834
Environmental Reclamation	—	21,017	21,017
Other Purposes	—	9,262	9,262
Total	$ 181,434	$ 82,783	$ 264,217

Designated Fund Balances
(Expressed in Thousands)

	General Fund	Education Fund	Uniform School Fund	Transportation Fund
Designated for:				
Budget Reserve (Rainy Day) Account	$ 194,280	$ —	$ —	$ —
Education Budget Reserve Account	—	234,676	—	—
Disaster Recovery Account	34,697	—	—	—
Postemployment and Other Liabilities	145,106	179,322	1,024	44,602
Fiscal Year 2009 Appropriations:				
Line Item Appropriations	19,985	—	182,194	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Total	$ 394,068	$ 413,998	$ 183,218	$ 44,602

Continues Below

	Transportation Investment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Designated for:			
Budget Reserve (Rainy Day) Account	$ —	$ —	$ 194,280
Education Budget Reserve Account	—	—	234,676
Disaster Recovery Account	—	—	34,697
Postemployment and Other Liabilities	17,016	—	387,070
Fiscal Year 2009 Appropriations:			
Line Item Appropriations	—	—	202,179
Capital Projects	—	60,735	60,735
Debt Service	—	20,801	20,801
Total	$ 17,016	$ 81,536	$ 1,134,438

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 $4.053 billion of restricted net assets, of which $20.609 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, 2008, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ (34,120)
Petroleum Storage Tank	$ (25,269)

The deficit in the Employers' Reinsurance Trust represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Trust claims are funded from assessments on all workers' compensation insurance issued to employers within the State. The Utah Labor Commission sets the rate up to the maximum established by the Legislature to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Trust only. State law also limits the Trust's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities. Unfunded future claims are payable solely from future trust revenues.

The Petroleum Storage Tank Trust covers the clean-up costs of leaks from state-approved underground petroleum storage tanks. The assets in the fund are more than adequate to pay current claims. Unfunded future claims will be funded solely by future trust revenues.

Funds/activities reporting a deficit position in the unrestricted portion of their net assets at June 30, 2008, are (in thousands):

Internal Service Funds:	
Technology Services	$ (2,703)
General Services	$ (615)
Fleet Operations	$ (12,354)
Property Management	$ (237)

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 – State Building Ownership Authority Fund (nonmajor governmental fund) reported a $3.708 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 these deficits.

NOTE 13. INTERFUND TRANSFERS

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital to another fund. All transfers must be legally authorized by the Legislature through statute or an *Appropriation Act*. Interfund transfers for the fiscal year ended June 30, 2008, are as follows (in thousands):

Transfers In:

	Governmental Funds					
Transfers Out:	**General Fund**	**Education Fund**	**Uniform School Fund**	**Transportation Fund**	**Transportation Investment Fund**	**Trust Lands Fund**
General Fund	$ —	$ —	$ 6,250	$ 191,803	$ 359,000	$ 32
Education Fund	728,116	—	2,319,321	—	—	—
Uniform School Fund	60,898	44,237	—	—	—	—
Transportation Fund	38,765	—	—	—	79,833	—
Transportation Investment Fund	5,000	—	—	72,431	—	—
Nonmajor Governmental Funds	7,914	—	—	—	—	—
Unemployment Compensation	588	—	—	—	—	—
Water Loan Programs	3,670	—	—	—	—	—
Nonmajor Enterprise Funds	62,904	—	—	—	—	9,618
Internal Service Funds	367	—	—	—	—	—
Total Transfers In	$ 908,222	$ 44,237	$ 2,325,571	$ 264,234	$ 438,833	$ 9,650

Continues Below

Transfers In:

	Governmental Funds	Enterprise Funds			
Transfers Out:	**Nonmajor Governmental Funds**	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers Out**
General Fund	$ 282,283	$ 1,582	$ 32,498	$ 378	$ 873,826
Education Fund	128,084	—	—	—	3,175,521
Uniform School Fund	—	—	5,000	—	110,135
Transportation Fund	12,647	—	—	—	131,245
Transportation Investment Fund	131,627	—	—	—	209,058
Nonmajor Governmental Funds	5,012	—	—	—	12,926
Unemployment Compensation	—	—	—	—	588
Water Loan Programs	—	—	—	—	3,670
Nonmajor Enterprise Funds	—	—	—	33	72,555
Internal Service Funds	—	—	—	33	400
Total Transfers In	$ 559,653	$ 1,582	$ 37,498	$ 444	$ 4,589,924

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 2008, the Legislature authorized transfers of $367 thousand from the Internal Service Funds to the General Fund to subsidize general fund revenues. In addition, the Legislature authorized payments of $810.892 million to the Colleges and Universities. Payments to the Colleges and Universities are reported as expenditures in both the General Fund fund statements and the Governmental Activities column of the Statement of Activities. They are also reported as revenues in the Component Units column of the Statement of Activities.

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

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

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

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

- In addition to the items above, the State is contesting other legal actions totaling over $9.6 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 $34.328 million of federal expenditures is in question. These costs will be contested with the federal agency involved, and management estimates the liability to be less than the questioned amounts. In addition, program compliance audits by the federal government are conducted periodically; however, an estimate of any potential disallowances on these audits and findings on other audits on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2008, is in process.

- Management's estimated liability for the Petroleum Storage Tank Trust (private purpose trust fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.
- The Utah Department of Transportation (UDOT) plans on seeking reimbursement from the Federal Highway Administration (FHWA) for approximately $508 thousand for fiscal year 2009. The State received $14.37 million in fiscal year 2008. 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 was totally self-insured for liability claims until February 1, 2008. After this date, the State is self-insured for liability claims up to $1 million and beyond the excess insurance policy limit of $10 million. The State is self-insured for individual property and casualty claims up to $1 million and up to $3.5 million in aggregate claims and beyond the excess insurance policy limit of $600 million per occurrence. According to an actuarial study and other known factors, $41.285 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Department of Administrative Services' Risk Management Fund (internal service fund).

- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953,* as amended, Sections 53A–28–101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guarantied Bonds.

  In the event a school board is unable to make the scheduled debt service payments on its Guarantied Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available monies, may use short-term borrowing from the State Permanent School Fund (part of the permanent Trust Lands Fund), or may issue short-term general obligation notes. The local school board remains liable to the State for any such payments on Guarantied Bonds. Reimbursements to the State may be obtained by intercepting payment of state funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

  The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due. The State does not expect that it will be required to advance monies for the payment of debt service on Guarantied Bonds for any significant period of time.

  Local school boards have $2.458 billion principal amount of Guarantied Bonds outstanding at June 30, 2008. 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 $42.059 million from tobacco companies in fiscal year 2008 and expects to receive approximately $43.861 million in fiscal year 2009. 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, 2008, the Industrial Assistance Program of the General Fund had grant commitments of $3.118 million, contingent on participating companies meeting certain performance criteria.

- Utah Retirement Systems (pension trust funds) has at its yearend December 31, 2007, committed to fund certain private equity partnerships and real estate projects for an amount of $5.592 billion. Funding of $3.446 billion has been provided, leaving an unfunded commitment of $2.146 billion as of December 31, 2007, which will be funded over the next five years.

- As of June 30, 2008, 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 $45.99 million. The Corporation has a Revolving Credit Loan with a Utah industrial bank in the amount of $5 million due October 31, 2009. At June 30, 2008, the outstanding balance was $1.725 million. The Revolving Credit Loan bears interest at a calculated LIBOR rate advance or base rate advance. The revolving Credit Loan balance consists of two separate loans. The first loan is dated November 9, 2007 for $1.275 million with an interest rate of 2.73 percent at June 30, 2008. The second loan is dated June 26, 2008 for $450 thousand with an interest rate of 2.25 percent at June 30, 2008. These two loans are due during the year ended June 30, 2009.

- At June 30, 2008, the enterprise funds had loan commitments of approximately $454.105 million and grant commitments of approximately $42.362 million.

- At June 30, 2008, 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 $2.32 billion. Also, at June 30, 2008, the Student Assistance Programs had commitments to purchase approximately $280.915 million in student loans and provide approximately $8.436 million in reductions to borrower loan balances.

- At June 30, 2008, the Utah Department of Transportation had construction and other contract commitments of $811.588 million, of which $169.836 million is for Transportation Investment Fund (special revenue fund) projects and $641.752 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 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 $7.61 million of revenue bonds outstanding at June 30, 2008. 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, 2007, financial report has been included in this Comprehensive Annual Financial Report as a pension trust fund for the Utah Retirement Systems (URS) within the fiduciary funds. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The URS operations are comprised of the following groups of systems and plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System

(Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Firefighters Retirement System (Firefighters System), which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;

- The Public Safety Retirement System (Public Safety System), which is a defined-benefit mixed agent and cost-sharing, multiple-employer retirement system;

- The Judges Retirement System (Judges System) and the Utah Governors and Legislative Retirement Plan, which are single-employer service employee retirement systems; and five defined contribution plans comprised of the 401(k) Plan, 457 Plan, Roth and Traditional IRA Plans, and Health Reimbursement Arrangement.

Retirement benefits are specified by Section 49 of *Utah Code Annotated, 1953*, as amended. The retirement systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the systems is provided in the following table:

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 $1,180 per month per term. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of $26 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, 2007

	Noncontributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Retirement Plan
Number of participating:						
Employers	411	160	126	51	1	1
Members:						
Active	89,605	2,852	7,587	1,771	108	86
Terminated vested	28,996	1,404	1,576	112	7	87
Retirees and beneficiaries:						
Service benefits	29,965	5,549	3,600	985	96	220
Disability benefits	—	3	14	78	—	—

Employer contribution rates consist of (***1***) an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current year) and (***2***) an amount for amortization of the unfunded, or excess funded actuarial accrued liability over an open 20 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value and the same actuarial assumptions used to calculate the actuarial accrued liability.

The following table presents the State of Utah's actuarially determined employer contributions required and paid to URS. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Retirement Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years.

State of Utah's Employer Contributions
Required and Paid
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Total All Systems
Primary Government:						
2008	$ 3,792	$ 101,591	$ 29,261	$ 75	$ 1,737	$ 136,456
2007	$ 3,874	$ 94,384	$ 27,208	$ 59	$ 1,238	$ 126,763
2006	$ 4,197	$ 87,445	$ 22,701	$ 49	$ 1,007	$ 115,399
2005	$ 4,335	$ 80,966	$ 21,112	$ 52	$ 814	$ 107,279
2004	$ 3,894	$ 67,745	$ 19,165	$ 50	$ 782	$ 91,636
Component Units:						
Colleges and Universities:						
2008	$ 2,160	$ 40,781	$ 498	$ —	$ —	$ 43,439
2007	$ 2,200	$ 39,016	$ 488	$ —	$ —	$ 41,704
2006	$ 2,117	$ 37,813	$ 425	$ —	$ —	$ 40,355
2005	$ 2,201	$ 35,195	$ 422	$ —	$ —	$ 37,818
2004	$ 1,996	$ 30,434	$ 411	$ —	$ —	$ 32,841
Other:						
2008	$ 76	$ 2,938	$ —	$ —	$ —	$ 3,014
2007	$ 78	$ 2,722	$ —	$ —	$ —	$ 2,800
2006	$ 60	$ 2,385	$ —	$ —	$ —	$ 2,445
2005	$ 59	$ 2,273	$ —	$ —	$ —	$ 2,332
2004	$ 52	$ 1,913	$ —	$ —	$ —	$ 1,965
Total Primary Government and Component Units:						
2008	$ 6,028	$ 145,310	$ 29,759	$ 75	$ 1,737	$ 182,909
2007	$ 6,152	$ 136,122	$ 27,696	$ 59	$ 1,238	$ 171,267
2006	$ 6,374	$ 127,643	$ 23,126	$ 49	$ 1,007	$ 158,199
2005	$ 6,595	$ 118,434	$ 21,534	$ 52	$ 814	$ 147,429
2004	$ 5,942	$ 100,092	$ 19,576	$ 50	$ 782	$ 126,442

(*Continues on next page*.)

The following table summarizes contribution rates in effect at December 31, 2007:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00 %	7.61 % – 9.73 %	—
Noncontributory	—	11.62 % – 14.22 %	—
Public Safety:			
Contributory	10.50 % – 13.74 %	11.22 % – 22.99 %	—
Noncontributory	—	22.47 % – 35.71 %	—
Firefighters:			
Division A	12.76 %	—	11.50 %
Division B	9.30 %	—	11.50 %
Judges:			
Contributory	2.00 %	10.38 %	15.45 %
Noncontributory	—	12.38 %	15.45 %
Governors and Legislative	—	—	—

Defined Contribution Plans

The 401(k), 457, Roth and Traditional IRA Plans, and Health Reimbursement Arrangement (HRA) administered by URS, in which the State participates, are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of the retirement systems. Contributions may be made into the plans subject to plan and Internal Revenue Code limitations. Employer contributions may be made into the plans at rates determined by the employers and according to Utah Title 49. There are 357 employers participating in the 401(k) Plan and 153 employers participating in the 457 Plan. There are 138,369 plan participants in the 401(k) Plan, 16,080 participants in the 457 Plan, 1,175 participants in the Roth IRA Plan, 356 participants in the Traditional IRA Plan, and 490 in the HRA.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances and plan provisions. The defined contribution plans account balances are fully vested to the participants at the time of deposit. Investments of the plans are reported at fair value.

Employees of the State are eligible to participate in the deferred compensation 401(k), 457, Roth and Traditional IRA Plans. For the 401(k) plan, the State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 2008, by employees and employers are as follows: for Primary Government, $37.814 million and $16.575 million; for Component Units – Colleges and Universities, $4.507 million and $4.649 million; for Component Units – Other, $1.010 million and $698 thousand; and the combined total for all is $43.331 million and $21.922 million, respectively. The amounts contributed to the 457, Roth and Traditional IRA Plans are $7.477 million, $645 thousand, and $19 thousand, respectively.

Pension Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate debt securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis, which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 14 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 14 percent, approximately 3 percent are U.S. Government debt securities and 11 percent are debt securities of the U.S. Government instrumentalities. The systems and plans have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the net assets held in trust for pension benefits. The principal components of the receivables and investment categories are presented below.

(*Continues on next page*.)

Pension Receivables and Investments
(Expressed in Thousands)

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Retirement Plan
Receivables:						
Member Contributions	$ —	$ 421	$ 336	$ 407	$ 1	$ —
Employer Contributions	32,257	618	3,510	—	66	—
Court Fees and Fire Insurance Premium	—	—	—	2,871	280	—
Investments	327,924	22,168	41,236	15,914	2,629	239
Total Receivables	$ 360,181	$ 23,207	$ 45,082	$ 19,192	$ 2,976	$ 239
Investments:						
Debt Securities	$ 4,286,066	$ 289,746	$ 538,960	$ 208,001	$ 34,355	$ 3,126
Equity Investments	7,184,853	485,709	903,473	348,679	57,592	5,240
Absolute Return	1,752,972	118,504	220,431	85,071	14,051	1,279
Private Equity	919,257	62,144	115,595	44,611	7,368	670
Real Estate	3,016,041	203,890	379,257	146,367	24,175	2,200
Mortgage Loans	5,474	370	688	265	44	4
Invested Securities Lending Collateral	1,452,735	98,207	182,678	70,500	11,645	1,060
Investment Contracts	—	—	—	—	—	—
Total Investments	$ 18,617,398	$ 1,258,570	$ 2,341,082	$ 903,494	$ 149,230	$ 13,579

Continues Below

	401(k) Plan	457 Plan	IRA Plans	Health Reimbursement Arrangement	Total December 31, 2007
Receivables:					
Member Contributions	$ —	$ —	$ —	$ —	$ 1,165
Employer Contributions	—	—	—	—	36,451
Court Fees and Fire Insurance Premium	—	—	—	—	3,151
Investments	51,712	3,627	—	2	465,451
Total Receivables	$ 51,712	$ 3,627	$ —	$ 2	$ 506,218
Investments:					
Debt Securities	$ 960,466	$ 98,157	$ 10,005	$ —	$ 6,428,882
Equity Investments	1,564,210	162,367	14,157	—	10,726,280
Absolute Return	—	—	—	—	2,192,308
Private Equity	—	—	—	—	1,149,645
Real Estate	—	—	—	—	3,771,930
Mortgage Loans	—	—	—	—	6,845
Invested Securities Lending Collateral	165,123	17,451	1,580	—	2,000,979
Investment Contracts	28,470	12,929	—	—	41,399
Total Investments	$ 2,718,269	$ 290,904	$ 25,742	$ 0	$ 26,318,268

Actuarial Methods and Assumptions

The information contained in the Schedules of Funding Progress is based on the actuarial study dated January 1, 2007, and calendar year 2007 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 are the Schedules of Funding Progress.

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

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Retirement Plan
Actuarial Value of Assets:						
January 1, 2006	$ 951,540	$ 13,069,362	$ 1,633,022	$ 644,496	$ 106,374	$ 10,587
January 1, 2007	$ 1,004,452	$ 14,446,928	$ 1,809,198	$ 705,051	$ 116,879	$ 10,983
December 31, 2007	$ 1,091,854	$ 16,209,330	$ 2,038,613	$ 787,663	$ 129,847	$ 11,736
Actuarial Accrued Liability (AAL):						
January 1, 2006	$ 1,027,309	$ 14,018,540	$ 1,834,452	$ 614,359	$ 106,962	$ 8,974
January 1, 2007	$ 1,062,967	$ 15,084,061	$ 1,968,982	$ 643,765	$ 117,127	$ 9,212
December 31, 2007	$ 1,095,547	$ 16,084,896	$ 2,105,380	$ 687,939	$ 123,992	$ 9,179
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 2006	$ 75,769	$ 949,178	$ 201,430	$ (30,137)	$ 558	$ (1,613)
January 1, 2007	$ 58,515	$ 637,133	$ 159,784	$ (61,286)	$ 248	$ (1,771)
December 31, 2007	$ 3,693	$ (124,434)	$ 66,767	$ (99,724)	$ (5,855)	$ (2,557)
Funding Ratios:						
January 1, 2006	92.6 %	93.2 %	89.0 %	104.9 %	99.5 %	118.0 %
January 1, 2007	94.5 %	95.8 %	91.9 %	109.5 %	99.8 %	119.2 %
December 31, 2007	99.7 %	100.8 %	96.8 %	114.5 %	104.7 %	127.9 %
Annual Covered Payroll:						
January 1, 2006	$ 137,730	$ 3,165,504	$ 298,756	$ 84,061	$ 11,594	$ 887
January 1, 2007	$ 133,812	$ 3,326,392	$ 316,662	$ 88,682	$ 12,195	$ 860
December 31, 2007	$ 132,899	$ 3,582,495	$ 339,187	$ 95,767	$ 13,322	$ 947
UAAL as a Percent of Covered Payroll:						
January 1, 2006	55.0 %	30.0 %	67.4 %	(35.9)%	5.1 %	(181.8)%
January 1, 2007	43.7 %	19.2 %	50.5%	(69.1)%	2.0 %	(205.9)%
December 31, 2007	2.8 %	(3.5)%	19.7 %	(104.1)%	(43.9)%	(270.0)%

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. 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, 2008 and 2007, were $108.887 million and $113.158 million, respectively.

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

At the option of individual state agencies, employees may participate in the State's Other Postemployment Benefit Plan (OPEB Plan), a single-employer defined benefit healthcare plan, as set forth in Section 67–19–14(2) of the *Utah Code*. The State administers the OPEB Plan through the State Post-Retirement Benefits Trust Fund, an irrevocable trust, as set forth in Section 67–19d–201 of the *Utah Code*. The trust fund is under the direction of a board of trustees, which consists of the State Treasurer, the Director of the Division of Finance, and the Director of the Governor's Office of Planning and Budget.

Plan assets of the State Post-Retirement Benefits Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment health and life insurance coverage to current and eligible future state retirees in accordance with the terms of the plan. The State Post-Retirement Benefits Trust Fund does not issue a publicly available financial report, but is included in this report of the primary government using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors have determined the fair values for the individual investments.

Only state employees entitled to receive retirement benefits and hired prior to January 1, 2006, are eligible to receive postemployment health and life insurance benefits from the OPEB Plan. Upon retirement, an employee receives 25 percent of the value of their unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. The employee may exchange one day of remaining unused accumulated sick leave earned *prior* to January 1, 2006, for one month of paid health and life insurance coverage up to age 65. Regardless of the unused sick leave balance, the State will provide postemployment health and life insurance coverage for up to five years (if the employee retired in 2006) or until the employee reaches age 65. This automatic coverage provision will decline by one year each calendar year until it is completely phased out on January 1, 2011. After age 65, the employee may use any remaining unused accumulated sick leave, earned *prior* to January 1, 2006, to exchange for spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of December 31, 2006, the date of the latest actuarial valuation, approximately 6,819 retirees and their beneficiaries were receiving state post-retirement health and life insurance benefits, and an estimated 17,126 active state employees are eligible to receive future benefits under the OPEB Plan.

The contribution requirements of employees and the State are established and may be amended by the State Legislature. For retirees that participate in the OPEB Plan, health insurance premiums are paid 100 percent by the State for individuals that retired before July 1, 2000. Individuals retiring thereafter are required to contribute specified amounts monthly, ranging from 2 percent to 7 percent, toward the cost of health insurance premiums. For the year ended June 30, 2008, retirees contributed $1.386 million, or approximately 4.8 percent of total premiums, through their required contributions of $7.76 to $80.36 per month depending on the coverage (single, double, or family) and health plan selected.

The State Legislature currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $53.491 million is 7.2 percent of annual covered payroll. There are no long-term contracts for contributions to the plan. The following table shows the components of the state's annual OPEB cost for the year, amount actually contributed to the plan, and changes in the State's net OPEB obligation for fiscal year 2008 (dollar amount in thousands):

Annual required contribution	$ 53,491
Interest on net OPEB obligation	(41)
Adjustment to annual required contribution	52
Annual OPEB cost (expense)	53,502
Contributions made	(52,811)
Increase in net OPEB obligation	691
Net OPEB obligation (asset) – Beginning of year	(691)
Net OPEB obligation – End of year	$ 0

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2008 and the preceding year were as follows (dollar amount in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2007	$ 50,433	101.37 %	$ (691)
6/30/2008	$ 53,502	98.71 %	$ 0

As of December 31, 2006, the actuarial accrued liability (AAL) for benefits was $669.617 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $669.617 million. The covered payroll (annual payroll of active employees covered by the plan) was $748.096 million, and the ratio of the UAAL to the covered payroll was 89.51 percent. The State of Utah implemented the State Post-Retirement Benefits Trust Fund, in

April 2007, after the December 31, 2006, actuarial valuation date. At the actuarial valuation date there were no trust fund assets. As of June 30, 2008, there were $51.881 million in net assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6 percent investment rate of return per annum (compounded annually, composed of a 3 percent inflation rate and 3 percent real rate of return), net of administrative expenses. The projected annual healthcare cost trend rate is 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after eleven years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2007, was twenty-four years.

NOTE 18. RISK MANAGEMENT AND INSURANCE

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

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

Risk Management and Public Employees Health Program claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. The Risk Management claim liabilities reserves are reported using a discount rate of 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 $243.267 million and $15.166 million, respectively, for health and life insurance coverage in fiscal year 2008. In addition, the State Department of Health paid $34.185 million in premiums to the Public Employees Health Program for the Children's Health Insurance Program.

All employers who participate in the Utah Retirement Systems are eligible to participate in the Public Employees Long-term Disability Program per Section 49–21–201 of the *Utah Code*. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three-month waiting period and are paid 100 percent by the program. As of June 30, 2008, there are 300 state employees receiving benefits. The program is funded by paying premiums to the Public Employees Health Program (component unit), where assets are set aside for future payments. For the fiscal year ended June 30, 2008, the primary government and the discrete component units of the State paid premiums of $5.230 million and $129 thousand, respectively, for the Long-Term Disability Program.

The State covers its workers' compensation risk by purchasing insurance from Workers' Compensation Fund (a related organization). The University of Utah, Utah State University, Southern Utah University, Salt Lake Community College, and Utah Valley University report claims liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University of Utah Hospital and Clinics have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by their respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below. The following table presents the changes in claims liabilities balances (short and long-term combined) during fiscal years ended June 30, 2007 and June 30, 2008:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2007	$ 46,725	$ 9,765	$ (11,735)	$ 44,755
2008	$ 44,755	$ 8,123	$ (11,593)	$ 41,285
Public Employees Health Program:				
2007	$ 123,435	$ 537,009	$(539,315)	$ 121,129
2008	$ 121,129	$ 556,909	$(556,222)	$ 121,816
College and University Self-Insurance:				
2007	$ 58,175	$ 210,158	$(196,602)	$ 71,731
2008	$ 71,731	$ 203,846	$(200,378)	$ 75,199

NOTE 19. SUBSEQUENT EVENTS

Investments are reported at fair value as of June 30, 2008. Subsequent to this date, the financial markets have experienced significant turmoil and distress. As of the date of this report, it is difficult to determine the ultimate affect market conditions may have on the investments being held.

The defined benefit pension plans and defined contribution plans (fiduciary funds) administered by Utah Retirement Systems are reported as of December 31, 2007. Subsequent to this date, the financial markets have experienced turmoil causing significant market value decreases. As of the date of this report, it is difficult to determine the long-term affect market conditions may have on these plans.

On July 31, 2008, the State sold the Human Services building for $11 million. A portion of the sale proceeds was used to pay off debt related to the building of $4.887 million and the reminder was used to acquire the Brigham Young University Salt Lake City Center located in downtown Salt Lake City.

Subsequent to June 30, 2008, Moody's Investor Service revised its current municipal rating on MBIA Insurance Corporation (MBIA) from "A2" to "Baa1". This downgrade affects Lease Revenue Bonds Series 2007 A issued by the Utah State Building Ownership Authority (blended component unit) and secured by bond insurance from MBIA.

Subsequent to June 30, 2008, the State Charter School Finance Authority (component unit) issued $29.65 million in tax-exempt and $355 thousand in taxable conduit debt on behalf of various charter schools. Proceeds of the bonds will be used for acquiring or constructing charter school facilities.

During the 2008 General Session of the Utah Legislature, House Bill 352 was passed which recognized the repeal of the Utah Navajo Trust Fund (private purpose trust fund) under *Utah Code* Section 63I–1–263(8), Legislative Oversight and Sunset Act. The bill moved responsibility to fulfill the liabilities and obligations of the repealed Utah Navajo Trust Fund to the Department of Administrative Services (a State of Utah department), and provided for a transition process until Congress designates a new recipient of Utah Navajo royalties. A new trust fund was created on July 1, 2008 to hold: 1) the monies in the repealed Navajo Trust Fund as of June 30, 2008, 2) Utah Navajo royalties received by the State on or after July 1, 2008, 3) investment earnings, and 4) monies owed to the repealed Trust Fund.

Subsequent to June 30, 2008, Utah Housing Corporation (major component unit) observed that in a press release dated September 15, 2008, Lehman Brothers Holdings Inc. stated that it had filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York. This entity was at June 30, 2008 counterparties to the Corporation's interest rate swaps. Management expects that the counterparty interest will be assigned or replaced by another entity prior to the end of calendar year 2008. In the opinion of management, the bankruptcy of Lehman Brothers Holdings Inc. will not have a material effect on the financial statements of the Corporation.

On October 7, 2008, the University of Utah (major component unit) issued $9.36 million Research Facilities Revenue Refunding Bonds. Principal on the bonds is due annually commencing April 1, 2009 through 2022. Interest is due semiannually at rates ranging from 3.25 percent to 5.00 percent. Proceeds from these bonds will be used to fully refund Series 2007 A.

On December 1, 2008, the University of Utah (major component unit) issued $20.6 million variable rate Hospital Revenue Refunding Bonds, Series 2008. Principal on the bonds is due annually commencing August 1, 2009 and matures August 1, 2031. Interest is due semiannually at an estimated interest rate of 4.5 percent. Proceeds from these bonds will be used to fully refund Series 2006 B.

On July 22, 2008, Southern Utah University (nonmajor component unit) issued $12.025 million Auxiliary System and Student Building Fee Revenue Bonds, Series 2008. Interest rates on the bond range from 3.50 percent to 5.25 percent and mature May 1, 2021.

Subsequent to June 30, 2008, the Student Assistance Programs (major enterprise fund) has drawn $35.373 million on the liquidity facility to support certain bonds under the Series 1993 A, which had not been remarketed. Under the terms of the liquidity facility, interest on the bonds is paid at the Bank Rate, which is defined as the Base Rate plus .50 percent. The Base Rate is the greater of the Federal Funds Rate plus .50 percent or the Prime Rate. This rate increases by .85 percent if the bonds remain in the liquidity facility for more than 90 days. The current Bank Rate is 5 percent. The bonds are redeemable in installments pursuant to the Term Out agreement defined in the Letter of Credit Agreement.

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REQUIRED SUPPLEMENTARY INFORMATION

State of Utah

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2008 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,746,302	$ 1,795,374	$ 1,739,384	$ (55,990)
Licenses, Permits, and Fees:				
Insurance Fees	6,029	6,486	6,166	(320)
Court Fees	5,914	6,192	4,901	(1,291)
Other Licenses, Permits, and Fees	8,925	6,191	9,589	3,398
Investment Income	54,750	55,938	62,769	6,831
Miscellaneous Taxes and Other:				
Beer Tax	7,204	8,491	9,072	581
Cigarette and Tobacco Tax	51,696	58,364	53,769	(4,595)
Inheritance Tax	100	75	95	20
Insurance Premium Tax	71,600	76,762	77,224	462
Oil, Gas, and Mining Severance Tax	90,190	80,108	92,058	11,950
Taxpayer Rebates	(5,850)	(6,209)	(6,399)	(190)
Court Collections	5,069	5,004	5,124	120
Other Taxes	24,443	27,389	31,378	3,989
Miscellaneous Other	15,245	9,234	8,454	(780)
Total General Revenues	2,081,617	2,129,399	2,093,584	(35,815)
Department Specific Revenues				
Restricted Sales Tax	3,584	3,827	3,827	—
Federal Contracts and Grants	2,050,269	1,905,370	1,905,370	—
Departmental Collections	285,935	310,941	329,535	18,594
Higher Education Collections	366,241	390,638	390,638	—
Federal Mineral Lease	121,475	115,202	134,404	19,202
Investment Income	4,990	19,100	13,994	(5,106)
Miscellaneous	430,619	534,731	527,830	(6,901)
Total Department Specific Revenues	3,263,113	3,279,809	3,305,598	25,789
Total Revenues	5,344,730	5,409,208	5,399,182	(10,026)
Expenditures				
General Government	385,653	411,105	298,750	112,355
Human Services and Youth Corrections	706,688	700,199	687,502	12,697
Corrections, Adult	255,986	258,251	247,883	10,368
Public Safety	268,491	227,360	192,841	34,519
Courts	131,208	131,500	128,314	3,186
Health and Environmental Quality	1,993,600	2,019,151	1,995,331	23,820
Higher Education – State Administration	40,406	65,413	64,587	826
Higher Education – Colleges and Universities	1,180,609	1,174,464	1,174,430	34
Employment and Family Services	320,649	443,638	441,698	1,940
Natural Resources	187,671	207,482	181,880	25,602
Community and Culture	199,709	131,302	127,423	3,879
Business, Labor, and Agriculture	104,381	107,122	93,334	13,788
Total Expenditures	5,775,051	5,876,987	5,633,973	243,014
Excess Revenues Over (Under) Expenditures	(430,321)	(467,779)	(234,791)	232,988
Other Financing Sources (Uses)				
Capital Leases Acquisition	—	—	2,131	2,131
Sale of Capital Assets	—	—	80	80
Transfers In	932,964	911,717	911,717	—
Transfers Out	(854,973)	(873,826)	(873,826)	—
Total Other Financing Sources (Uses)	77,991	37,891	40,102	2,211
Net Change in Fund Balance	(352,330)	(429,888)	(194,689)	235,199
Budgetary Fund Balance – Beginning	880,798	880,798	880,798	—
Budgetary Fund Balance – Ending	$ 528,468	$ 450,910	$ 686,109	$ 235,199

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

State of Utah

Budgetary Comparison Schedule
Education Fund

For the Fiscal Year Ended June 30, 2008 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 2,544,809	$ 2,708,899	$ 2,611,848	$ (97,051)
Corporate Tax	414,612	372,311	410,879	38,568
Total General Revenues	2,959,421	3,081,210	3,022,727	(58,483)
Department Specific Revenues				
Miscellaneous:				
Investment Income	8,151	8,788	7,631	(1,157)
Other	—	—	—	—
Total Department Specific Revenues	8,151	8,788	7,631	(1,157)
Total Revenues	2,967,572	3,089,998	3,030,358	(59,640)
Expenditures				
Education Support	—	—	—	—
Total Expenditures	0	0	0	0
Excess Revenues Over (Under) Expenditures	2,967,572	3,089,998	3,030,358	(59,640)
Other Financing Sources (Uses)				
Transfers In	—	44,237	44,237	—
Transfers Out	(3,493,692)	(3,175,521)	(3,175,521)	—
Total Other Financing Sources (Uses)	(3,493,692)	(3,131,284)	(3,131,284)	0
Net Change in Fund Balance	(526,120)	(41,286)	(100,926)	(59,640)
Budgetary Fund Balance – Beginning	335,602	335,602	335,602	—
Budgetary Fund Balance – Ending	$ (190,518)	$ 294,316	$ 234,676	$ (59,640)

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, 2008 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Miscellaneous Other	$ 13,200	$ 12,160	$ 25,090	$ 12,930
Total General Revenues	13,200	12,160	25,090	12,930
Department Specific Revenues				
Federal Contracts and Grants	385,504	379,707	379,707	—
Departmental Collections	2,024	9,093	9,093	—
Miscellaneous:				
School Lunch Tax	21,601	25,640	25,640	—
Driver Education Fee	4,950	5,029	5,029	—
Investment Income	20,082	20,230	27,623	7,393
Other	4,764	5,553	5,564	11
Total Department Specific Revenues	438,925	445,252	452,656	7,404
Total Revenues	452,125	457,412	477,746	20,334
Expenditures				
Public Education	3,098,355	3,120,884	2,971,564	149,320
Total Expenditures	3,098,355	3,120,884	2,971,564	149,320
Excess Revenues Over (Under) Expenditures	(2,646,230)	(2,663,472)	(2,493,818)	169,654
Other Financing Sources (Uses)				
Transfers In	2,644,272	2,325,571	2,325,571	—
Transfers Out	(63,496)	(110,135)	(110,135)	—
Total Other Financing Sources (Uses)	2,580,776	2,215,436	2,215,436	0
Net Change in Fund Balance	(65,454)	(448,036)	(278,382)	169,654
Budgetary Fund Balance – Beginning	650,003	650,003	650,003	—
Budgetary Fund Balance – Ending	$ 584,549	$ 201,967	$ 371,621	$ 169,654

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

Budgetary Comparison Schedule
Transportation Fund

For the Fiscal Year Ended June 30, 2008 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 242,300	$ 265,853	$ 250,669	$ (15,184)
Special Fuel Tax	109,900	121,288	112,984	(8,304)
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	34,606	34,420	35,366	946
Proportional Registration Fees	13,851	13,243	14,202	959
Temporary Permits	380	478	523	45
Special Transportation Permits	7,808	7,632	8,189	557
Highway Use Permits	9,122	6,805	7,574	769
Motor Vehicle Control Fees	5,377	5,188	5,295	107
Miscellaneous	2,048	1,847	2,208	361
Investment Income	6,104	7,964	7,602	(362)
Miscellaneous Other	2,145	2,489	1,679	(810)
Total General Revenues	433,641	467,207	446,291	(20,916)
Department Specific Revenues				
Restricted Sales and Aviation Fuel Taxes	25,318	115,318	152,393	37,075
Federal Contracts and Grants	176,561	283,991	283,992	1
Departmental Collections	40,325	58,718	67,876	9,158
Federal Aeronautics	45,000	45,000	68,193	23,193
Investment Income	1,111	1,111	5,373	4,262
Miscellaneous	14,050	51,784	54,223	2,439
Total Department Specific Revenues	302,365	555,922	632,050	76,128
Total Revenues	736,006	1,023,129	1,078,341	55,212
Expenditures				
Transportation	998,834	1,241,416	1,100,673	140,743
Total Expenditures	998,834	1,241,416	1,100,673	140,743
Excess Revenues Over (Under) Expenditures	(262,828)	(218,287)	(22,332)	195,955
Other Financing Sources (Uses)				
General Obligation Bonds Issued	—	—	70,083	70,083
Sale of Capital Assets	—	—	8,058	8,058
Transfers In	295,159	264,234	264,234	—
Transfers Out	(127,398)	(131,245)	(131,245)	—
Total Other Financing Sources (Uses)	167,761	132,989	211,130	78,141
Net Change in Fund Balance	(95,067)	(85,298)	188,798	274,096
Budgetary Fund Balance – Beginning	277,217	277,217	277,217	—
Budgetary Fund Balance – Ending	$ 182,150	$ 191,919	$ 466,015	$ 274,096

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, 2008 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 177,400	$ 177,200	$ 177,321	$ 121
Motor Vehicle Registration Fees	22,200	23,000	23,055	55
Total General Revenues	199,600	200,200	200,376	176
Department Specific Revenues				
Federal Contracts and Grants	34,000	14,356	14,356	—
Investment Income	2,000	2,000	679	(1,321)
Total Department Specific Revenues	36,000	16,356	15,035	(1,321)
Total Revenues	235,600	216,556	215,411	(1,145)
Expenditures				
Transportation	410,444	410,466	373,222	37,244
Total Expenditures	410,444	410,466	373,222	37,244
Excess Revenues Over (Under) Expenditures	(174,844)	(193,910)	(157,811)	36,099
Other Financing Sources (Uses)				
Transfers In	438,833	438,833	438,833	—
Transfers Out	(237,977)	(209,058)	(209,058)	—
Total Other Financing Sources (Uses)	200,856	229,775	229,775	0
Net Change in Fund Balance	26,012	35,865	71,964	36,099
Budgetary Fund Balance – Beginning	110,891	110,891	110,891	—
Budgetary Fund Balance – Ending	$ 136,903	$ 146,756	$ 182,855	$ 36,099

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

Budgetary Comparison Schedule
Budget To GAAP Reconciliation

For the Fiscal Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund	Education Fund	Uniform School Fund	Transportation Fund	Transportation Investment Fund
Revenues					
Actual total revenues (budgetary basis)	$ 5,399,182	$ 3,030,358	$ 477,746	$ 1,078,341	$ 215,411
Differences – Budget to GAAP:					
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(384,155)	—	(4,855)	(1,731)	—
Higher education and Utah Schools for the Deaf and the Blind collections are budgetary revenues but are not revenues for financial reporting	(401,323)	—	(5,782)	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	(6,079)	—	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	(31,707)	(51,748)	(950)	(5,900)	(1,900)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 4,575,918	$ 2,978,610	$ 466,159	$ 1,070,710	$ 213,511
Expenditures					
Actual total expenditures (budgetary basis)	$ 5,633,973	$ —	$ 2,971,564	$ 1,100,673	$ 373,222
Differences – Budget to GAAP:					
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(384,155)	—	(4,855)	(1,731)	—
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	(401,323)	—	(5,782)	—	—
Certain budgetary transfers and other charges are reported as a reduction of expenditures for financial reporting	(3,495)	—	—	—	—
Leave/postemployment charges budgeted as expenditure when earned rather than when taken or due	(6,715)	—	(404)	(711)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	(11,056)	—	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 4,827,229	$ 0	$ 2,960,523	$ 1,098,231	$ 373,222

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, 2008, 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 $359 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, 2008, the State was $33.468 million below the appropriations limitation.

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFIT PLAN

The State's Other Postemployment Benefit Plan (OPEB Plan) is administered through the State Post-Retirement Benefits Trust Fund as an irrevocable trust. Assets of the trust fund are dedicated to providing post-retirement health and life insurance coverage to current and eligible future state retirees. Only state employees entitled to receive retirement benefits, and hired prior to January 1, 2006, are eligible to receive post-retirement health and life insurance benefits.

The following schedules present the State of Utah's actuarially determined funding progress and required contributions for the State Post-Retirement Benefits Trust Fund (using the projected unit credit actuarial cost method):

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2006	$ 0	$ 669,617	$ 669,617	0.00 %	$ 748,096	89.51 %

Schedule of Employer Contributions
(Expressed in Thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2007	$ 50,433	101.37 %
June 30, 2008	$ 53,491	98.71 %

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 5,754 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

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

Condition Level – Roads

The State's established condition level is to maintain 50 percent of its roads with a rating of "fair" or better and no more than 15 percent of roads with a rating of "very poor."

The State performs complete assessments on a calendar year basis. The following table reports the result of pavements with ratings of "fair" or better (ratings of 2.75 through 5.0) or "very poor" (ratings of 1.0 through 1.84) for the last three years:

Rating	2007	2006	2005
Fair or Better	62.6%	64.5%	69.5%
Very Poor	12.4%	11.3%	6.3%

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

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2008	$419,917	$ 498,419
2007	$ 321,852	$ 390,310
2006	$ 240,854	$ 366,600
2005	$ 226,345	$ 307,858
2004	$ 231,214	$ 262,741

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,819 state-owned bridges. A number, ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

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

Condition Level – Bridges

The State performs complete assessments on an annual basis ending April 1 of each year. The established condition level is to maintain 50 percent of the bridges with a rating of "good" and no more than 15 percent with a rating of "poor." The following table reports the results of the bridges assessed for the past three years:

Rating	2008	2007	2006
Good	72.0%	71.0%	71.0%
Poor	2.0%	2.0%	2.0%

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

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2008	$ 74,103	$ 87,956
2007	$ 56,797	$ 68,878
2006	$ 42,504	$ 64,694
2005	$ 39,943	$ 54,328
2004	$ 40,803	$ 46,366

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APPENDIX B

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

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 September 9, 2009 as follows:

Fair Market Value of Ad Valorem Taxable Property (1)	$298,740,951,422
Uniform Fees in lieu of Ad Valorem Taxable Property (2)	12,784,273,669
Total Fair Market Value of Taxable Property	$311,525,220,233
Constitutional Debt Limit (1.5%)	$4,672,878,304
Less: Currently outstanding General Obligation Debt (Net) (3)	(1,384,300,693)
Estimated Additional Constitutional Debt Incurring Capacity of the State (4)	$3,288,577,611

(1) Based on 2008 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 the OFFICIAL STATEMENT.

(2) Based on 2008 "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 63J, Chapter 3, of the Utah Code (the "State Appropriations and Tax Limitation Act"), among other things, limits the maximum general obligation borrowing ability of the State. Under the State Appropriations and Tax Limitation Act, the outstanding general obligation debt of the State at any time may not exceed 45% of the maximum allowable State budget appropriations limit as provided in that act. The State Appropriations and Tax Limitation Act also limits State government appropriations based upon a formula that reflects changes in population and inflation. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments–Spending and Debt Limitations" in the 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. See "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" below.

Using the budget appropriations for Fiscal Year 2009, the statutory general obligation debt limit under the State Appropriations and Tax Limitation Act and additional general obligation debt incurring capacity of the State under that act are as of September 9, 2009, as follows:

Statutory General Obligation Debt Limit (1)	$1,206,095,670
Less: Statutorily Applicable General Obligation Debt (Net) (2)	(419,278,730)
Remaining Statutory General Obligation Debt Incurring Capacity	$ 786,816,940

(1) 45% of Fiscal Year 2009 appropriation limit of $2,680,212,600.
(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 September 9, 2009, the State has approximately $3,282,736,400 aggregate principal amount of additional authorized and unissued general obligation bonds, the proceeds of which bonds, when issued, will be used by the Utah Department of Transportation and DFCM for various capital projects. The authorizations consist of:

- ❑ $2,246,895,000 (all of which is exempt from statutory debt limit calculations) for highway projects and $72,968,000 for higher education and building projects from 2009;
- ❑ $43,750,000 for higher education projects and $42,500,000 for development projects from 2008;
- ❑ $802,000,000 (all of which is exempt from statutory debt limit calculations) for highway projects from 2007;
- ❑ $73,000,000 for higher education projects from 2006;
- ❑ $1,623,400 for capital projects from 2004.

Based on the State's highway and transportation needs, the State anticipates that it will issue a portion of its authorized and unissued general obligation bonds annually over the next five years. The State expects to issue at least $1 billion and may issue additional bonds as it deems necessary. on September 16, 2009.

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Historical Constitutional And Statutory Debt Limit Of The State By Fiscal Year

The calculation of the historical constitutional debt limit, the general obligation debt, the additional general obligation debt incurring capacity, and the statutory debt limit for the State for each of the Fiscal Years 2004 through 2008 is as follows:

	Fiscal Year Ended June 30 (in thousands)				
	2008	2007	2006	2005	2004
Fair Market Value of Ad Valorem Taxable Property	$269,489,923	$218,864,054	$186,836,224	$173,003,833	$164,567,250
Fees in lieu of Ad Valorem Tax (1)	12,686,241	14,148,805	12,146,609	12,616,364	11,973,726
Fair Market Value for Debt Incurring Capacity	$282,176,164	$233,012,859	$198,982,833	$185,620,197	$176,540,976
Constitutional:					
Constitutional Debt Limit	$4,232,642	$3,495,193	$2,984,742	$2,784,303	$2,648,115
Outstanding Constitutional General Obligation Debt (Net) (2)	(1,198,172)	(1,284,023)	(1,436,845)	(1,587,804)	(1,588,810)
Additional Debt Incurring Capacity (*constitutional*)	$3,034,470	$2,211,170	$1,547,897	$1,196,499	$1,059,305
Statutory:					
Statutory General Obligation Debt Limit	$1,114,933	$1,024,512	$944,824	$880,463	$835,292
Outstanding General Obligation Debt (Net) (2) (3)	(434,590)	(493,456)	(558,866)	(630,711)	(607,999)
Additional General Obligation Debt Incurring Capacity (*statutory*)	$ 680,343	$ 531,056	$385,958	$249,752	$227,293

(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, State Tax Commission and the Division of Finance.)

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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 September 9, 2009, 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
2009B	Various purpose	$104,450,000	July 1, 2015	$ 104,450,000
2009A (2)	Highways	394,360,000	January 1, 2024	394,360,000
2007 (3)	Various purpose	75,000,000	July 1, 2014	57,450,000
2004B (4)	Various purpose	140,635,000	July 1, 2019	90,480,000
2004A (5)	Refunding	314,775,000	July 1, 2016	314,775,000
2003A (6) (7)	Various purpose	407,405,000	July 1, 2013 (9)	173,000,000
2002B (2)	Refunding	253,100,000	July 1, 2012	170,290,000
2002A (7)	Various purpose	281,200,000	July 1, 2011 (9)	12,325,000
2001B (8)	Various purpose	348,000,000	July 1, 2009	0
Total principal amount of outstanding general obligation debt (10)				$1,317,130,000

(1) Unless otherwise indicated, the outstanding general obligation bonds of the State are currently rated “AAA” by Fitch Inc. (“Fitch”); “Aaa” by Moody’s; and “AAA” by S&P, as of the date of this OFFICIAL STATEMENT.
(2) These bonds are exempt from statutory debt limit calculations.
(3) $51,445,000 of these bonds are exempt from statutory debt limit calculations.
(4) $40,775,000 of these bonds are exempt from statutory debt limit calculations.
(5) $125,315,000 of these bonds are exempt from statutory debt limit calculations.
(6) $135,375,000 of these bonds are exempt from statutory debt limit calculations.
(7) Portions of this bond issue were refunded by the 2004A Bonds.
(8) These bonds are included in this table because final principal payments occurred within Fiscal Year 2010. See “Debt Service Schedule Of Outstanding General Obligation Bonds Of The State By Fiscal Year” below.
(9) Final maturity date after the refunding effected by the 2004A Bonds.
(10) 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 $76,003,414 and the total deferred amount is $8,832,721 (as of September 9, 2009), together with current debt outstanding of $1,317,130,000, results in total outstanding net direct debt of $1,384,300,693.

(Source: Division of Finance.)

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

Fiscal Year Ending	Series 2009B $104,450,000		Series 2009A $394,360,000		Series 2007 $75,000,000		Series 2004B $140,635,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010………	$ 0	$ 2,576,433	$ 0	$ 14,102,114	$ 8,950,000	$ 2,841,300	$ 11,180,000	$ 4,803,500
2011………	450,000	4,169,000	23,665,000	17,497,519	10,185,000	2,407,675	25,755,000	3,880,125
2012………	19,175,000	3,776,500	23,680,000	16,608,494	15,030,000	1,777,300	30,600,000	2,471,250
2013………	19,950,000	2,994,000	23,680,000	15,742,669	10,300,000	1,195,550	3,575,000	1,616,875
2014………	20,775,000	2,179,500	23,680,000	14,884,494	10,720,000	775,150	3,750,000	1,433,750
2015………	21,600,000	1,332,000	23,680,000	13,789,519	11,215,000	280,375	3,950,000	1,241,250
2016………	22,500,000	450,000	25,265,000	12,690,394	–	–	4,125,000	1,039,375
2017………	–	–	25,265,000	11,602,144	–	–	4,350,000	827,500
2018………	–	–	25,265,000	10,389,394	–	–	4,550,000	605,000
2019………	–	–	25,265,000	9,171,594	–	–	4,800,000	371,250
2020………	–	–	25,265,000	7,979,744	–	–	5,025,000	125,625
2021………	–	–	29,930,000	6,625,819	–	–	–	–
2022………	–	–	29,930,000	5,129,319	–	–	–	–
2023………	–	–	29,930,000	3,632,819	–	–	–	–
2024………	–	–	59,860,000	2,174,019	–	–	–	–
Totals……..	$104,450,000	$17,477,433	$394,360,000	$162,020,051	$ 66,400,000	$ 9,277,350	$101,660,000	$ 18,415,500

Fiscal Year Ending	Series 2004A $314,775,000		Series 2003A $407,405,000		Series 2002B $253,100,000		Series 2002A $281,200,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010………	$ 0	$14,937,350	$ 61,125,000	$ 10,025,313	$ 50,835,000	$ 10,481,778	$ 5,750,000	$ 775,813
2011………	39,310,000	14,151,150	50,025,000	7,399,375	53,670,000	7,710,706	6,000,000	482,063
2012………	40,830,000	12,548,350	15,100,000	5,771,250	56,705,000	4,744,378	6,325,000	166,031
2013………	11,245,000	11,450,625	52,575,000	4,079,375	59,915,000	1,610,216	0	0 (3)
2014………	18,480,000	10,707,500	55,300,000	1,382,500	–	–	0	0 (2)
2015………	73,595,000	8,405,625	0	0 (2)	–	–	0	0 (2)
2016………	73,910,000	4,718,000	0	0 (2)	–	–	0	0 (2)
2017………	57,405,000	1,435,125	0	0 (2)	–	–	–	–
2018………	–	–	–	–	–	–	–	–
2019………	–	–	–	–	–	–	–	–
2020………	–	–	–	–	–	–	–	–
2021………	–	–	–	–	–	–	–	–
2022………	–	–	–	–	–	–	–	–
2023………	–	–	–	–	–	–	–	–
2024………	–	–	–	–	–	–	–	–
Totals……..	$314,775,000	$78,353,725	$234,125,000	$ 28,657,813	$221,125,000	$ 24,547,078	$ 18,075,000	$ 1,423,906

Fiscal Year Ending	Series 2001B $348,000,000			Totals (1)		
June 30	Principal	Interest		Total Principal	Total Interest	Total Debt Service
2010………	$ 37,650,000	$ 847,125	……………………………………………………	$ 175,490,000	$ 61,390,725	$ 236,880,725
2011………	0	0 (2)	……………………………………………………	209,060,000	57,697,612	266,757,612
2012………	0	0 (2)	……………………………………………………	207,445,000	47,863,553	255,308,553
2013………	0	0 (2)	……………………………………………………	181,240,000	38,689,310	219,929,310
2014………	0	0 (2)	……………………………………………………	132,705,000	31,362,894	164,067,894
2015………	0	0 (2)	……………………………………………………	134,040,000	25,048,769	159,088,769
2016………	–	–	……………………………………………………	125,800,000	18,897,769	144,697,769
2017………	–	–	……………………………………………………	87,020,000	13,864,769	100,884,769
2018………	–	–	……………………………………………………	29,815,000	10,994,394	40,809,394
2019………	–	–	……………………………………………………	30,065,000	9,542,844	39,607,844
2020………	–	–	……………………………………………………	30,290,000	8,105,369	38,395,369
2021………	–	–	……………………………………………………	29,930,000	6,625,819	36,555,819
2022………	–	–	……………………………………………………	29,930,000	5,129,319	35,059,319
2023………	–	–	……………………………………………………	29,930,000	3,632,819	33,562,819
2024………	–	–	……………………………………………………	59,860,000	2,174,019	62,034,019
Totals……..	$ 37,650,000	$ 847,125	……………………………………………………	$1,492,620,000	$341,019,981	$1,833,639,981

(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.

(Source: 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 September 9, 2009.

	Fiscal Year Ended June 30				
	2009	2008	2007	2006	2005
Outstanding General Obligation Debt (000's)	$1,492,620	$1,161,510	$1,237,170	$1,377,390	$1,514,510
Debt Ratios:					
Per Capita (1)	$545	$424	$464	$533	$605
As % of State Total Personal Income	1.80%	1.40%	1.55%	1.82%	2.17%
As % of Taxable Value	0.70%	0.61%	0.80%	1.04%	1.23%
As % of Fair Market/Market Value	0.50%	0.43%	0.57%	0.74%	0.88%

	Estimated As of September 9, 2009
Outstanding General Obligation Debt	$1,317,130,000
Debt Ratios:	
Per Capita (1) (2008 estimate–2,736,424)	$481
As % of State Total Personal Income (2008 estimate–$82,890,000,000)	1.59%
As % of Taxable Value (2009 estimate–$203,723,488,560)	0.65%
As % of Fair Market Value/Market Value (2009 estimate–$286,008,663,331)	0.46%

(1) Population estimates from the Utah Population Estimates Committee.

(Source: Financial Advisor.)

The ratios of debt service expenditures to General Fund expenditures and to all governmental fund type expenditures for the last five fiscal years are shown below:

	Fiscal Year Ended June 30 (in thousands)				
	2008	2007	2006	2005	2004
General Fund Expenditures	$4,827,229	$4,497,679	$4,333,467	$4,016,667	$3,775,296
Debt Service Expenditures (1)	$333,175	$235,011	$235,436	$273,679	$211,960
Ratio of Debt Service to General Fund Expenditures	6.90%	5.23%	5.43%	6.81%	5.61%
Total All Governmental Funds Expenditures	$9,877,368	$8,772,404	$8,118,742	$7,489,813	$7,070,039
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	3.37%	2.68%	2.90%	3.65%	3.00%

(1) In Fiscal Year 2008, debt service includes the cash defeasance on the Authority's lease revenue bonds: $8.525 million for the 2004B Bonds; $56.2 million for the 2001A Bonds; and $4.515 million for the 1998C Bonds. In addition, $30.3 million was retired on the 2001C Bonds. In Fiscal Year 2005, debt service includes a final debt payment of approximately $31.6 million (for 2002 Winter Olympic facilities).

(Sources: Division of Finance and the 2008 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)				
	2008	2007	2006	2005	2004
Taxes:					
Individual income tax	$2,560,394	$2,589,252	$2,324,365	$1,946,593	$1,706,774
Sales and use tax	2,031,239	2,109,732	1,915,600	1,699,636	1,553,909
Corporate tax	410,586	411,929	379,624	209,304	165,893
Motor and special fuel tax	357,664	366,446	344,902	336,417	327,838
Other taxes	333,542	320,204	316,994	275,715	234,774
Total taxes	5,693,425	5,797,563	5,281,485	4,467,665	3,989,188
Other revenues:					
Federal contracts and grants	2,574,585	2,480,016	2,524,022	2,366,786	2,295,428
Charges for services	392,345	347,038	329,576	273,499	242,780
Miscellaneous and other	373,047	261,617	239,901	231,708	208,171
Federal mineral lease	134,404	145,985	156,851	82,704	67,216
Investment income	124,590	142,357	85,580	45,017	25,943
Licenses, permits and fees	121,882	120,349	113,684	121,382	113,625
Federal aeronautics	68,193	44,074	37,521	34,416	25,821
Intergovernmental	12,884	23,332	9,109	4,104	11,395
Total other revenues	3,801,930	3,564,768	3,496,244	3,159,616	2,990,379
Total revenues	$9,495,355	$9,362,331	$8,777,729	$7,627,281	$6,979,567

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

(Sources: Division of Finance and the 2008 CAFR.)

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Expenditures by Function

All Governmental Fund Types (1)

Function	Fiscal Year Ended June 30 (in thousands) 2008	2007	2006	2005	2004
Public education	$2,960,873	$2,547,421	$2,322,871	$2,168,896	$2,033,259
Health and environmental quality	1,648,841	1,620,400	1,634,619	1,461,618	1,342,903
Transportation	1,472,208	1,221,371	975,565	832,285	811,088
Higher education (Colleges and Universities)	793,283	708,063	675,267	637,087	614,922
Human services/youth corrections	677,234	627,598	593,392	576,871	553,136
Employment and family services	432,955	406,532	413,380	417,037	394,926
Debt service	333,175	235,011	235,436	273,679	211,960
General government	319,389	268,775	239,838	178,891	176,907
Corrections/adult	251,216	229,198	205,310	198,030	188,951
Public safety	196,008	172,427	179,622	163,072	150,353
Capital outlay	193,733	196,126	170,748	139,488	173,869
Natural resources	174,120	171,014	140,592	123,195	121,461
Community and culture	132,413	108,592	85,231	87,621	89,051
Courts	131,261	119,650	114,111	107,807	102,302
Business, labor and agriculture	96,072	91,162	89,255	85,115	72,124
Higher education (State Adm.)	64,587	49,064	43,505	39,121	32,827
Total expenditures All Governmental Fund Types	$9,877,368	$8,772,404	$8,118,742	$7,489,813	$7,070,039

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

(Sources: Division of Finance and the 2008 CAFR.)

Changes in All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (dollars in millions) 2008	2007	2006	2005	2004
Revenues	$9,496	$9,362	$8,778	$7,627	$6,980
% change over previous year	1.4%	6.7%	15.1%	9.3%	8.5%
Net other financing sources (2)	$77	$7	$0	$170	$29
Expenditures (3)	$9,877	$8,772	$8,119	$7,490	$7,070
% change over previous year	12.6%	8.0%	8.4%	5.9%	5.5%

(1) Includes all governmental fund types, except Trust Lands.
(2) Includes sale of capital assets, bond proceeds, net of any refunding issues, plus financing provided from capital leasing.
(3) Funding for expenditures is provided from revenues, beginning balances, bond proceeds, sale of capital assets, and capital leases issued. Beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2008 CAFR.)

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Fund Balances (1)

Fund Balances—All Governmental Fund Types

Fund	June 30 (in thousands) 2008	2007	2006	2005	2004
General	$ 864,868	$1,079,572	$ 869,136	$ 653,979	$ 485,953
Special Revenue:					
Transportation	510,626	327,017	209,885	206,049	226,081
Education (2)	413,998	566,672	–	–	–
Uniform School	372,796	651,724	942,389	406,494	313,886
Transportation Investment (3)	199,872	129,808	144,162	184,450	217,451
Tobacco Endowment	45,834	33,221	24,671	18,109	17,759
Rural Development	35,431	31,109	25,012	19,922	15,094
Environmental Reclamation	29,442	30,168	24,135	25,921	23,762
Miscellaneous Special Rev.	12,446	10,401	8,343	8,074	7,603
Universal Telephone	8,351	6,999	7,119	5,076	3,804
Crime Victim Reparation	6,891	8,942	9,690	9,623	10,653
Consumer Education	4,139	2,774	3,245	3,324	3,564
State Capitol	125	196	125	51	–
Capital Projects	239,362	135,762	133,630	226,666	122,343
Debt Service	26,570	23,534	20,722	12,636	12,842
Total	$2,770,751	$3,037,899	$2,422,264	$1,780,374	$1,460,795

(1) Includes all governmental fund types, except Trust Lands and includes restricted and unrestricted fund balances.
(2) Effective Fiscal Year 2007, the Legislature created the Education Fund. Individual income and corporate taxes are deposited into the Education Fund, then transferred as authorized to the Uniform School Fund and expended for public education. The remainder is used for higher education.
(3) Effective Fiscal Year 2006, the Legislature created the Transportation Investment Fund and designated that projects, previously reported as part of the Centennial Highway Fund, be reported within this new fund.

(Sources: Division of Finance and the 2008 CAFR.)

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General Fund

Revenues, Expenditures and Fund Balances

	Fiscal Year Ended June 30 (in thousands)				
	2008	2007	2006	2005	2004
Revenues:					
Federal contracts and grants...	$1,892,116	$1,818,571	$1,859,583	$1,776,555	$1,741,580
Sales and use tax	1,710,564	1,860,703	1,820,992	1,664,352	1,521,076
Charges for services..............	299,819	267,479	256,025	238,181	204,874
Other taxes	283,852	274,563	271,178	234,710	200,167
Miscellaneous and other.........	158,883	166,471	164,890	148,015	143,033
Federal mineral lease	134,404	145,985	156,851	82,704	67,216
Investment income	75,647	94,448	47,027	16,483	6,897
Licenses, permits and fees	20,633	20,479	18,725	17,866	18,029
Total revenues	$4,575,918	$4,648,699	$4,595,271	$4,178,866	$3,902,872
% change over previous year.....	(1.6)%	1.2%	10.0%	7.1%	10.3%
Expenditures.............................	$4,827,229	$4,497,679	$4,333,467	$4,016,667	$3,775,296
% change over previous year.....	7.3%	3.8%	7.9%	6.4%	7.3%
Fund Balance: (1)					
Unreserved, designated	$394,068	$ 603,165	$483,510	$366,992	$255,531
Reserved................................	470,800	411,600	300,497	262,360	214,063
Unreserved, undesignated	–	64,807	85,129	24,627	16,359
Total fund balance	$864,868	$1,079,572	$869,136	$653,979	$485,953

(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 2008 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 "2009 ERG") and from other reliable sources. *Additionally, the Governor's Office of Planning and Budget ("GOPB") has updated certain sections contained in this appendix with the latest information available.* The 2009 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 2009 ERG has been generated by members of the State Council of Economic Advisors. A complete copy of the 2009 ERG may be obtained on the internet or by contacting GOPB; 801.538.1027 | f 801.538.1547 | dea@utah.gov.

Geographic Information

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 13th among the states in total area, the State contains approximately 84,900 square miles. It ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. As of April 2001, land ownership in the State was distributed as 63.9% federal, 10.1% State, and 26% other (American Indian reservation, municipal, state sovereign lands, and private).

Demographics

As of July 1, 2008, the State's population was an estimated 2,757,779, an increase of 2.2% over 2007, according to the Utah Population Estimates Committee. This is lower than the record growth of 3.2% experienced in 2007. A total of 58,225 people were added to the State's population, with 28.6% of this increase coming from people moving into the State. While the 13,780 deaths in 2008 ties 2007 as a record high for the State, the State added more persons due to natural increase in 2008 than in any previous year in its history as a result of a record 55,357 births.

According to the U.S. Census Bureau's July 1, 2008 population estimates, the State's population increased to 2,736,424. The State ranked first among states in population growth with a rate of 2.5% from 2007 to 2008. The State 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
2008 Estimate (1)	2,736,424	22.5%
2000 Census	2,233,169	29.6
1990 Census	1,722,850	17.9
1980 Census	1,461,037	37.9
1970 Census	1,059,273	18.9
1960 Census	890,627	29.3
1950 Census	688,862	25.2
1940 Census	550,310	8.4

(1) U.S. Bureau of the Census, July 1, 2008.

(Source: 2009 ERG and the Utah Population Estimates Committee.)

Components of Population Change in the State

Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2008	55,357	13,780	41,577	16,648	58,225
2007	53,953	13,780	40,173	44,252	84,425
2006	52,368	13,358	39,010	28,730	67,740
2005	50,431	12,919	37,512	40,647	78,159
2004	50,527	13,282	37,245	18,367	55,612
2003	49,518	12,798	36,720	18,568	55,288
2002	48,041	12,662	35,379	17,299	52,678
2001	47,688	12,437	35,251	23,848	59,099
2000	46,880	11,953	34,927	18,612	53,539
1999	45,434	11,636	33,798	17,584	51,382

(Source: 2009 ERG and the Utah Population Estimates Committee.)

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Significant Characteristics of the State's Population

Category	Ranking (1)	Comments
Population growth (2007 to 2008)	1st (2.5% growth rate)	out of 50 states
State population (July 1, 2008)	34th	out of 50 states
Pre–school age (under five years old)	1st	9.8%
School age (five to 17)	1st	21.2%
Working age (18 to 64)	50th	60.0%
Retirement age (over age 65)	49th	9.9%
Median age (July 1, 2008)	1st	28.7 years
Dependency ratio (July 1, 2008)	1st	66.8 per 100 of working age
Fertility rate (2006)	1st	2.63 births/woman
Death rate (2006)	50th	5.4 deaths/1,000 population
Life expectancy (2000)	3rd	78.6 years
Urban status	10th	88.3% urban
Household size (2006)	1st	3.08 persons

(1) Rankings are from least favorable to most favorable, highest to lowest. Rankings are based on the most current national data available for all states.

(Source: 2009 ERG and GOPB.)

Employment, Wages And Labor Force

The State's economic expansion has ended, prompted by a national credit crisis that manifested itself in the mortgage–lending industry, which has significantly slowed down the State's home–building market. The residential construction boom has rapidly turned into a construction bust.

For most of 2008, employment loss was largely confined to the residential construction industry. While construction lost a substantial 15,450 jobs in 2008, most of the State's other industrial sectors stayed vibrant, adding jobs and performing as if in a stable economic environment, including nonresidential construction activity. Then came the late season national downturn of the stock and financial markets, and the stage is now set for a more comprehensive industrial downturn in the State. This affects the 2009 employment outlook, which will likely be the State's weakest economic year since 1954.

Approximately 50,000 fewer jobs are expected for the State in calendar year 2009 than 2008. This marks the second time this decade that the State will have fewer jobs in one year than in the previous, but only the fourth time such a phenomenon will have occurred in the past 60 years. Given that economic indicators at the end of 2008 portray a very volatile economic environment, with numerous national economic forecasts being revised downward shortly after being released, downside risk significantly outweighs any upside risk in this forecast.

Current Unemployment Rates (seasonally adjusted)

Current Unemployment Rate	State	U.S.
May 2009	5.4%	9.4%
May 2008	3.3	5.5

(Source: Utah Department of Workforce Services.)

Average Annual Employment and Unemployment Rate for Utah and the U.S.

Year	Utah Civilian Labor Force	Utah Total Employed	Unemployment Rate Utah	Unemployment Rate U.S.	Utah Unemployment Rate as % of U.S. Rate
2009 (f)	1,400,400	1,319,200	5.8%	9.2%	63.0%
2008 (e)	1,409,414	1,357,266	3.7	5.8	63.8
2007	1,372,900	1,335,800	2.7	4.6	58.7
2006	1,311,073	1,272,801	2.9	4.6	63.5
2005	1,268,075	1,214,150	4.3	5.1	83.4
2004	1,203,459	1,140,498	5.2	5.5	95.1
2003	1,188,279	1,121,088	5.7	6.0	94.2
2002	1,174,582	1,107,379	5.7	5.8	98.6
2001	1,153,387	1,103,028	4.4	4.8	91.0
2000	1,133,870	1,095,657	3.4	4.0	84.3
1999	1,120,591	1,080,441	3.6	4.2	85.3
1998	1,101,972	1,061,282	3.7	4.5	82.1

(f) forecast; (e) estimate.

(Source: Utah Department of Workforce Services; GOPB; 2009 ERG.)

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Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

Selected Years

	2009 (f)	2008 (e)	2007	2006	2005	% Change 2007–08	% Change 2006–07	% Change 2005–06	% Change 2004–05
Civilian labor force	1,400,400	1,409,414	1,372,900	1,311,073	1,268,075	(0.6)	2.7	4.7	3.4
Employed persons	1,319,200	1,357,266	1,335,800	1,272,801	1,214,150	(2.8)	1.6	4.9	4.8
Unemployed persons	81,200	52,148	37,100	38,272	53,925	55.7	40.6	(3.1)	(29.0)
Unemployment rate (%)	5.8	3.7	2.7	2.9	4.3	–	–	–	–
U.S. unemployment rate (%)	9.2	5.8	4.6	4.6	5.1	–	–	–	–
Total nonfarm jobs	1,197,200	1,253,900	1,251,282	1,203,629	1,148,037	(4.5)	0.2	4.0	4.8
Mining	12,400	12,400	11,034	10,024	8,472	0.0	12.4	10.1	18.3
Construction	69,800	88,000	103,450	95,162	81,685	(20.7)	(14.9)	8.7	16.5
Manufacturing	111,800	126,500	127,695	123,061	117,242	(11.6)	(0.9)	3.8	5.0
Trade, transportation, utilities	239,000	249,800	245,672	234,793	225,874	(4.3)	1.7	4.6	3.9
Information	28,000	31,800	32,448	32,540	32,105	(11.9)	(2.0)	(0.3)	1.4
Financial activity	71,300	73,300	74,739	71,470	67,582	(2.7)	(1.9)	4.6	5.8
Professional and business services	152,800	163,900	161,022	154,826	146,706	(6.8)	1.8	4.0	5.5
Education and health services	151,500	146,200	139,991	134,407	128,602	3.6	4.4	4.2	4.5
Leisure and hospitality	111,000	115,000	112,821	108,476	104,225	(3.5)	1.9	4.0	4.1
Other services	34,000	35,800	35,542	34,386	33,240	(5.0)	0.7	3.4	3.4
Government	215,600	211,200	206,868	204,484	202,304	2.1	2.1	1.2	1.1
Goods–producing	194,000	226,900	242,179	228,247	207,399	(14.5)	(6.3)	6.1	10.1
Service–producing	1,003,200	1,027,000	1,009,103	975,382	940,638	(2.3)	1.8	3.5	3.7
% Service–producing	83.8%	81.9%	80.6%	81.0%	81.9%	–	–	–	–
U.S. nonagricultural job growth	(3.7)%	(0.2)%	1.1%	1.8%	1.7%	–	–	–	–
Total nonagricultural wages (millions)	$45,300	$47,100	$45,709	$41,651	$37,696	(3.8)	3.0	9.7	10.5
Average annual wage	$37,838	$37,563	$36,530	$34,605	$32,835	0.7	2.8	5.6	5.4
Average monthly wage	$3,153	$3,130	$3,044	$2,884	$2,736	0.7	2.8	5.5	5.4
Establishments (first quarter)	84,500	85,076	83,292	82,875	77,423	–	–	–	–

(f) forecast; (e) estimated.

(Source: Utah Deparment of Employment Services, 2009 ERG and GOPB.)

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
Intermountain Health Care	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
Wal–Mart Stores	Department store	15,000–20,000
Hill Air Force Base	Military installation	10,000–15,000
Granite School District	Public education	7,000–10,000
Jordan School District.	Public education	7,000–10,000
Utah State University	Higher education	7,000–10,000
Alpine School District	Public education	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
Albertson's	Food stores	4,000–5,000
ATK Thiokol	Aerospace equipment manufacturing	4,000–5,000
Autoliv Asp (Morton International)	Mfg. vehicle parts	3,000–4,000
Discover Products	Consumer loans	3,000–4,000
Delta Airlines Inc.	Air transportation	3,000–4,000
Home Depot	Building supply store	3,000–4,000
Nebo School District	Public education	3,000–4,000
Salt Lake City	Local government	3,000–4,000
Salt Lake City School District	Public education	3,000–4,000
Skywest Airlines	Air transportation	3,000–4,000
United Parcel Service	Courier service	3,000–4,000
Weber County School District	Public education	3,000–4,000
Wells Fargo Bank N.A.	Banking	3,000–4,000
Zions First National Bank	Banking	3,000–4,000
ARUP	Medical laboratory	2,000–3,000
Costco Wholesale	Retail warehouse club	2,000–3,000
Harmons	Grocery stores	2,000–3,000
Icon Health and Fitness	Exercise equipment manufacturing	2,000–3,000
Provo City School District	Public education	2,000–3,000
Qwest Corporation	Telephone service/communications	2,000–3,000
Rocky Mountain Power	Electric generation/distribution	2,000–3,000
Salt Lake Community College	Higher education	2,000–3,000
Target Corporation	Discount department store	2,000–3,000
Teleperformance USA	Telemarketing	2,000–3,000
Utah Valley State College	Higher education	2,000–3,000
Washington County School District	Public education	2,000–3,000
Weber State University	Higher education	2,000–3,000

(1) As of 2007. 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: Utah Department of Workforce Services; 2009 ERG.)

Personal Income

The 2008 preliminary estimate for the State's total personal income was $82.9 billion, 4.7% greater than the previous year. Per–capita income grew an estimated 1.5% to $30,291 between 2007 and 2008. The State's per capita income is among the lowest in the nation (ranks 49th) due to its large child age population.

Total Personal Income (in millions)

	Utah		United States	
Year	Amount	% Change	Amount	% Change
2008 (p)	$82,890	4.1%	$12,086,534	3.9%
2007 (p)	79,618	5.3	11,634,322	6.0
2006 (r)	75,598	8.4	10,978,053	7.1
2005 (r)	69,747	9.7	10,252,973	5.6
2004 (r)	63,565	7.0	9,711,363	6.1
2003	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
1995	37,218	8.1	6,144,741	5.3
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

(e) estimate; (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 2007–08	% change 2006–07	% change 2005–06
	2008 (p)	2007 (r)	2006 (r)	2005 (r)	2004			
Personal income	$82,890	$79,618	$75,598	$69,747	$63,565	4.1	5.3	8.4
Earnings by place of work	68,660	66,372	61,825	56,649	52,435	3.4	7.4	9.1
less: Contributions for government social insurance	7,672	7,402	6,927	6,290	5,807	3.6	6.9	10.1
plus: Adjustment for residence	38	42	52	40	26	(9.5)	(19.2)	30.0
equals: Net earnings by place of residence	61,026	59,012	54,950	50,398	46,653	3.4	7.4	9.0
plus: Dividends, interest, and rent	11,984	11,656	12,184	11,554	9,749	2.8	(4.3)	5.5
plus: Personal current transfer receipts	9,880	8,949	8,464	7,795	7,163	10.4	5.7	8.6
Components of earnings	68,660	66,372	61,825	56,649	52,435	3.4	7.4	9.1
Wage and salary disbursements	50,275	48,327	44,166	40,094	37,331	4.0	9.4	10.2
Supplements to wages and salaries	12,002	11,536	10,843	10,143	9,258	4.0	6.4	6.9
Proprietors' income	6,384	6,509	6,816	6,411	5,846	(1.9)	(4.5)	6.3
Earnings by industry	68,660	66,372	61,825	56,649	52,435	3.4	7.4	9.1
Farm earnings	82	186	110	246	279	(55.9)	69.1	(55.3)
Nonfarm earnings	68,579	66,186	61,715	56,402	52,156	3.6	7.2	9.4
Private earnings	55,993	54,340	50,494	45,706	42,087	3.0	7.6	10.5
Forestry, fishing, related activities, and other	68	71	61	54	51	(4.2)	16.4	13.0
Mining	1,355	1,168	1,021	782	657	16.0	14.4	30.6
Utilities	487	482	474	420	408	1.0	1.7	12.9
Construction	5,132	5,724	5,334	4,452	3,844	(10.3)	7.3	19.8
Manufacturing	8,332	7,980	7,433	6,744	6,484	4.4	7.4	10.2
Wholesale trade	3,315	3,144	2,855	2,593	2,336	5.4	10.1	10.1
Retail trade	5,104	5,138	4,679	4,257	4,001	(0.7)	9.8	9.9
Transportation and warehousing	2,749	2,897	2,569	2,491	2,340	(5.1)	12.8	3.1
Information	1,879	1,782	1,807	1,828	1,603	5.4	(1.4)	(1.1)
Finance and insurance	3,954	3,851	3,584	3,273	3,089	2.7	7.4	9.5
Real estate and rental and leasing	1,342	1,375	1,394	1,306	1,109	(2.4)	(1.4)	6.7
Professional and technical services	6,645	6,033	5,555	4,999	4,465	10.1	8.6	11.1
Management of companies and enterprises	1,510	1,412	1,300	1,175	1,074	6.9	8.6	10.6
Administrative and waste services	2,538	2,465	2,246	1,975	1,808	3.0	9.8	13.7
Educational services	1,051	999	947	871	786	5.2	5.5	8.7
Health care and social assistance	5,367	4,967	4,691	4,295	3,965	8.1	5.9	9.2
Arts, entertainment and recreation	588	590	548	489	462	(0.3)	7.7	12.1
Accommodations and food services	1,867	1,763	1,631	1,465	1,366	5.9	8.1	11.3
Other services, except public administration	2,710	2,498	2,364	2,238	2,240	8.5	5.7	5.6
Government and government enterprises	12,586	11,847	11,221	10,696	10,069	6.2	5.6	4.9
Federal, civilian	3,239	3,138	3,001	2,828	2,653	3.2	4.6	6.1
Military	952	912	906	927	833	4.4	0.7	(2.3)
State and local	8,395	7,796	7,314	6,941	6,582	7.7	6.6	5.4

(p) preliminary; (r) revised.

(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.
2008 (p)	$30,291	$39,751	1.5%	2.9%	76.2%
2007 (r)	29,831	38,615	2.0	4.9	77.3
2006 (r)	29,243	36,794	4.9	6.1	79.5
2005 (r)	27,885	34,690	7.0	4.6	80.4
2004	26,053	33,157	4.4	5.2	78.6
2003	24,958	31,530	0.2	2.2	79.2
2002	24,919	30,838	0.9	0.8	80.8
2001	24,702	30,582	3.5	2.5	80.8
2000	23,866	29,847	6.6	6.8	80.0
1995	18,478	23,076	–	–	80.1
1990	14,913	19,477	–	–	76.6
1985	12,048	14,758	–	–	81.6
1980	8,501	10,114	–	–	84.1

(f) forecast; (p) preliminary; (r) revised.

(Source: BEA and GOPB.)

Gross Domestic Product

Gross Domestic Product ("GDP") is the value of final goods and services produced by the labor and property located in a geographic area. GDP is gross output less intermediate inputs, and as such it measures the economic activity within an area.

Total Gross Domestic Product
(in millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2008 (a)	$109,777	4.0%	$14,165,600	3.3%
2007 (r)	105,574	7.4	13,715,700	4.8
2006 (r)	98,289	10.3	13,090,800	6.1
2005 (r)	89,125	10.2	12,339,000	6.3
2004	80,889	7.2	11,607,000	6.6
2003	75,428	3.8	10,886,200	4.7
2002	72,665	3.6	10,398,400	3.4
2001	70,109	3.8	10,058,200	3.2
2000	67,568	5.8	9,749,100	6.0
1999	63,834	6.1	9,201,140	6.0

(a) advanced; (r) revised.

(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 2008, total taxable sales in the State decreased by 3.4% to an estimated $46.1 billion. This is the first decline seen since 1987.

Retail trade taxable sales were an estimated $26.8 billion in 2008, representing 58.1% of taxable sales. This is a 1.0% increase over 2007, the slowest rate of growth since 2003. Retail trade is projected to decline 1.6% in 2009. Business investment and utility taxable sales were an estimated $12.1 billion in 2008, representing 26.2% of taxable sales. This is a decrease of 8.2% over 2007. This sector is expected to fall another 10.2% in 2009. Taxable services were estimated at $5.9 billion for 2008, which was 12.9% of all taxable sales. This represents a 2.8% decline in 2008. Taxable services related sales are expected to decrease by 5.6% in 2009.

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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
2009 (f)….	$26,341	(1.6) %	$10,828	(10.2) %	$5,613	(5.6) %	$1,402	6.5 %	$ 44,184	(4.1) %
2008 (e)….	26,769	1.0	12,058	(8.2)	5,946	(2.8)	1,317	(31.8)	46,090	(3.4)
2007……..	26,504	6.1	13,136	4.7	6,119	7.9	1,931	19.9	47,690	6.5
2006……..	24,969	12.7	12,546	18.6	5,670	10.4	1,610	17.3	44,795	14.2
2005……..	22,155	8.9	10,579	16.0	5,135	13.3	1,372	5.1	39,241	11.1
2004……..	20,351	8.2	9,121	15.3	4,534	3.1	1,305	(9.8)	35,311	8.4
2003……..	18,808	2.5	7,909	(1.6)	4,396	(4.7)	1,447	(3.7)	32,560	0.1
2002 …….	18,356	3.4	8,039	(6.4)	4,615	(2.0)	1,502	8.8	32,512	0.3
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)	31,646	5.5

(f) forecast; (e) estimate.

(Source: Utah State Tax Commission)

Tax Collections

This "Tax Collections" section updated by GOPB in April 2009.

Tax collections continue to be affected by recent legislation. A single rate income tax system began on January 1, 2008. An overhaul of the individual income tax withholding system resulted in a larger than expected reduction of income tax withholding in Fiscal Year 2008—the principal cause of the Fiscal Year 2008 revenue shortfall. Other statutory changes include a 0.05% rate increase to state general sales tax earmarked for road construction, re–entry to the "streamlined sales tax" compact among states, expanded business research tax credits, and more favorable tax treatment for individual purchases of health insurance.

After adjusting for inflation, Fiscal Year 2008 tax collections shrank 4.2% over Fiscal Year 2007. The weakening of General and Education Fund revenue was expected, caused principally by changes to the tax system. The decline was also due, in part, to a weakening economy. For perspective, during the recent expansion (Fiscal Year 2003—Fiscal Year 2007) average annual revenue growth adjusted for inflation reached 7.9%, nearly double the historic average annual growth rate from 1980 to 2008 of 4.0%.

The outlook for tax collections in Fiscal Years 2009 and 2010 is severe. The impacts of a deep and prolonged recession are expected to affect the State's economy and sharply curtail state tax collections. The State is expected to collect $676.5 million (13.0%) less in Fiscal Year 2009 than it did in Fiscal Year 2008. General Fund collections are expected to decline $246.3 million (11.4%) and Education Fund collections are expected to decline $430.3 million (14.1%). Revenues are expected to further fall $164.5 million (3.6%) in Fiscal Year 2010, with General Fund collections declining $94.1 million (4.9%) and Education Fund collections declining $70.4 million (2.7%).

Construction

The value of permit authorized construction in the State in 2008 was $4.8 billion, the lowest value since 2003. In the 12 months prior to the delivery of the 2009 ERG, the value of permit authorized construction fell 31.4% from $7.0 billion to $4.8 billion. In inflation–adjusted dollars, the value of permit authorized construction was at the lowest level since 1993. This sharp decline in value was led by the severe contraction in residential construction, which fell from $4.0 billion in 2007 to $2.0 billion in 2008, a 50.0% decline.

In terms of units, residential construction dropped from 20,500 units in 2007 to 11,000 units in 2008, a decline of 46.4%. The single–family sector absorbed the brunt of the residential decline as the number of detached homes receiving building permits fell from 13,500 in 2007 to only 6,000 in 2008, a 55.6% drop. The 6,000 units in 2008 was the lowest number of permits authorized for single–family units since 1989. The multi–family sector (town homes, condominiums, and apartments) did not suffer like the single–family sector; nevertheless, permits for this sector were down 30.0%, from 6,300 units in 2007 to 4,400 units in 2008. In contrast, the nonresidential sector maintained a near record level of new construction activity. The value of nonresidential construction was $2.0 billion in 2008, compared to the record high $2.05 billion in 2007. In inflation–adjusted dollars, the all–time high for nonresidential construction was 1997 at $2.2 billion.

For 2009, construction is expected to slow and weaken with permit authorized construction forecasted to drop another 20%.

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Permit–Authorized Construction

Year	Total Units	Construction Value (millions of dollars) Residential	Nonresidential	Renovations	Total Valuation
2008 (e)	11,000	$2,000.0	$2,000.0	$795.0	$4,795.0
2007	20,539	3,963.0	2,051.0	979.7	6,994.4
2006	26,322	4,955.5	1,588.0	865.3	7,408.8
2005	28,285	4,662.6	1,217.8	707.6	6,558.0
2004	24,293	3,552.6	1,089.9	476.0	5,118.5
2003	22,836	3,046.4	1,017.4	497.0	4,560.8
2002	19,941	2,491.9	897.0	393.0	3,782.0
2001	19,675	2,352.7	970.0	562.8	3,885.4
2000	18,154	2,140.1	1,123.0	583.3	3,936.0
1999	20,350	2,238.0	1,195.0	537.0	3,971.0

(e) estimate.

(Source: 2009 ERG and the GOPB.)

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APPENDIX D

BASIC DOCUMENTATION

Table Of Contents

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 2009 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 2009 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 2009 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.

"*Build America Bonds*" means the interest subsidy bonds issuable by the Issuer under Sections 54AA and 6431 of the Code and a "qualified bond" under Section 54AA(g)(2) of the Code or such other tax credit bonds of substantially similar nature which may be hereafter authorized.

"*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.

"*Direct Payments*" means the interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or other similar programs with respect to Bonds issued hereunder.

"*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 12–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 2009 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, Direct Payments and 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 211(a)(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 Indenture 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;

(b) 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 2009 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 2009 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 2009 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 2009 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, 2010), with a final renewal term commencing July 1, 2029, and ending May 16, 2030. 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, 2030, 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 2009 BONDS—Redemption Provisions For The 2009 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 provided in the Lease 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, quit or vacate such Facility under any circumstance.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2009 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 $8,445,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009B (the "Series 2009B Bonds"), its $16,715,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009C (Federally Taxable—Issuer Subsidy—Build America Bonds) (the "Series 2009C Bonds"), its $12,125,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009D (the "Series 2009D Bonds"), and its $89,470,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009E (Federally Taxable—Issuer Subsidy—Build America Bonds) (the "Series 2009E Bonds" and collectively with the Series 2009B Bonds, the Series 2009C Bonds, and the Series 2009D Bonds, the "Series 2009 Bonds"). The Series 2009 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 August 26, 2009, 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 Sixteenth Supplemental Indenture of Trust dated as of September 1, 2009 (collectively, the "Indenture") between the Authority and Wells Fargo Bank, N.A., as Trustee. The Series 2009 Bonds are being issued for the purpose of (A) financing the costs of acquiring and constructing certain facilities, properties and improvements (collectively, the "2009 Facilities") and (B) paying the costs associated with the issuance of the Series 2009 Bonds.

The 2009 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 Sixteenth Amendment to State Facilities Master Lease Agreement dated as of September 1, 2009 (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 2009 Bonds and income from the investment thereof, the proceeds of certain insurance policies, performance bonds, condemnation awards, and liquidation proceeds, if any, the Series 2009 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 2009 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 2009 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 2009 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.

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 2009 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 2009 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 2009 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. Interest on the Series 2009B Bonds and the Series 2009D Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2009B Bonds and the Series 2009D Bonds, assuming the accuracy of the certifications of the Authority and the State and continuing compliance by the Authority and the State with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2009B Bonds and the Series 2009D Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

6. Interest on the Series 2009C Bonds and the Series 2009E Bonds is <u>not</u> excludable from gross income for federal income tax purposes.

7. Interest on the Series 2009 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 2009 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 2009 Bonds; and

(c) Except as set forth above, we express no opinion regarding other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 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 (i) $8,445,000 aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009B (the *"2009B Bonds"*), (ii) $16,715,000 aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009C (Federally Taxable–Issuer Subsidy–Build America Bonds) (the *"2009C Bonds"*), (iii) $12,125,000 aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009D (the *"2009D Bonds"*), and (iv) $89,470,000 aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 2009D (Federally Taxable–Issuer Subsidy–Build America Bonds) (the *"2009E Bonds"* and, together with the 2009B Bonds, the 2009C Bonds and the 2009D Bonds, the *"Bonds"*) . The 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 supplemental indentures of trust, each dated as of September 1, 2009 (as so amended and supplemented, the *"Indenture"*).

In consideration of the issuance of the Bonds by the Authority and the purchase of such Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

Section 1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth above, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

Section 2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

"Annual Financial Information" means the financial information and operating data described in *Exhibit 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.

"EMMA" means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"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 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.

"Participating Underwriters" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"SID" means any 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 Bonds maturing in each of the following years are as follows:

2009B BONDS

YEAR OF MATURITY (MAY 15)	CUSIP NUMBER
2012	917547 UE9
2013	917547 UF6
2014	917547 UG4
2015	917547 UH2
2016	917547 UJ8
2017	917547 UK5
2018	917547 UL3
2019	917547 UM1

2009C BONDS

YEAR OF MATURITY (MAY 15)	CUSIP NUMBER
2024*	917547 UN9
2029*	917547 UP4

* Term Bond

2009D BONDS

YEAR OF MATURITY (MAY 15)	CUSIP NUMBER
2014	917547 UQ2
2015	917547 UR0
2016	917547 US8
2017	917547 UT6

2009E BONDS

YEAR OF MATURITY (MAY 15)	CUSIP NUMBER
2018	917547 VA6
2020	917547 UU3
2021	917547 UV1
2022	917547 UW9
2023	917547 UX7
2024	917547 UY5
2030*	917547 UZ2

* Term Bond

The Final Official Statement relating to the Bonds is dated August 26, 2009 (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 EMMA and to the SID, if any, in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State, with respect to any SID, and the time of delivery of such information and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA 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 EMMA and to the SID, if any, in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State, with respect to any SID, and the time of delivery of such information. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bond or defeasance of any 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 Bonds pursuant to the Indenture.

Section 6. *DUTY TO UPDATE SID.* The State shall determine, in the manner it deems appropriate, the name and address of the then existing SID each time it is required to file information therewith.

Section 7. *CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION.* The State shall give notice in a timely manner to EMMA 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 Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the State to provide the information as required by this Agreement. A default under this Agreement shall not be deemed a default under the 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) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted; or

(ii) 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

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the State or any other obligated person (such as bond counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the State shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

Section 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 Bonds under the Indenture. The State shall give notice in a timely manner if this Section is applicable to EMMA and to the SID, if any.

Section 10. DISSEMINATION AGENT. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

If a SID has been designated by the State, the State shall be obligated to provide information for purposes of this Agreement to such SID only to the extent required by the laws of the State.

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 Underwriters in complying with the Rule; *provided, however*, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 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, 350 North State Street, Suite C-180 (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.

(*Signature page follows.*)

DATED as of the day and year first above written.

STATE OF UTAH

By______________________________________
Richard K. Ellis, 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:

CAPTION	PAGE
DEBT STRUCTURE OF THE STATE OF UTAH	
FINANCIAL INFORMATION REGARDING THE STATE OF UTAH	

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA 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 on EMMA; the Final Official Statement need not be available from the SID, if any, 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 EMMA 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, 2010. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared pursuant to generally accepted accounting principles as prescribed by the Government Accounting Standards Board. Audited Financial Statements will be provided to EMMA 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 BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

APPENDIX G

BOOK–ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com and dtc.org.

Purchases of 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2009 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 2009 Bonds, except in the event that use of the book–entry system for the 2009 Bonds is discontinued.

To facilitate subsequent transfers, all 2009 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 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2009 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 2009 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the 2009 Bonds may wish to ascertain that the nominee holding the 2009 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 2009 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 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2009 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 Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, 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 Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2009 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book–entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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