New Issue

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

In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, interest on the 2012A 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 2012A 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 2012A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2012A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. ***In the opinion of Bond Counsel, interest on the 2012B 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 2012A Bonds and the 2012B Bonds is exempt from State of Utah individual income taxes. See "LEGAL MATTERS" herein.*

State of Utah,
State Building Ownership Authority

$15,610,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 2012A

$11,700,000 Federally Taxable Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2012B

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 $15,610,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 2012A and $11,700,000 Federally Taxable Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2012B, are issued by the State Building Ownership Authority, a body corporate and politic of the State of Utah, as fully–registered bonds and will be initially issued in book–entry form through The Depository Trust Company, New York, New York, which will act as securities depository for the 2012 Bonds.

Principal of and interest on the 2012 Bonds (interest payable May 15 and November 15 of each year, commencing May 15 ,2013) are payable by Wells Fargo Bank, N.A., Corporate Trust Services, Denver, Colorado, as Paying Agent, to the registered owners thereof, initially DTC. See "THE 2012 BONDS—Book–Entry System" herein.

The 2012A Bonds are subject to optional redemption and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities) prior to maturity. The 2012B Bonds are **not** subject to optional redemption, but are subject to extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities) prior to maturity. See "THE FACILITIES" and "THE 2012 BONDS—Redemption Provisions For The 2012 Bonds" herein.

The 2012 Bonds are being issued to refund certain lease revenue bonds previously issued by the Authority; to finance the cost of the acquisition of real estate and the acquisition of certain building facilities; and for the payment of the costs associated with the issuance of the 2012 Bonds. The 2012 Bonds and certain other Bonds, as described herein, previously issued by the Authority are parts of an ongoing master lease and building program whereby all Bonds issued thereunder are equally and ratably secured and cross–collateralized by the several facilities constructed through this program.

Pursuant to the Lease, the State has agreed to pay annual Base Rentals which are sufficient to pay the principal of and interest on the 2012 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 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 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 2012 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 2012 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 2012 Bonds.

The 2012 Bonds were separately awarded on November 8, 2012, pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on November 7, 2012, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated October 26, 2012, as amended). The 2012A Bonds and the 2012B Bonds were both awarded to BMO Capital Markets GKST Inc., Chicago, Illinois, pursuant to separate bids, at a "true interest rate" of 2.11% and 1.37%, respectively.

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

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

This OFFICIAL STATEMENT is dated November 8, 2012, and has been amended on November 13, 2012, to contain certain newly released financial information for the State. The information contained herein speaks only as of the date of such amendment.

[1] The anticipated date of delivery is Tuesday, November 20, 2012.

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

$15,610,000

Lease Revenue Refunding Bonds, (State Facilities Master Lease Program), Series 2012A

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield
2017…..	XB 2	$ 990,000	1.50%	0.85%
2018…..	XC 0	1,005,000	1.50	1.02
2019…..	XD 8	1,445,000	3.00	1.25
2020…..	XE 6	1,490,000	4.00	1.51
2021…..	XF 3	1,555,000	5.00	1.72
2022…..	XG 1	1,630,000	5.00	1.90
2023…..	XH 9	1,710,000	3.00	2.10
2024…..	XJ 5	1,230,000	3.00	2.22
2025…..	XK 2	2,850,000	3.00	2.34
2026…..	XL 0	1,135,000	3.00	2.45
2027…..	XM 8	570,000	3.00	2.51

$11,700,000

Federally Taxable Lease Revenue and Refunding Bonds, (State Facilities Master Lease Program), Series 2012B

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield
2013…..	XN 6	$ 155,000	2.00%	0.40%
2014…..	XP 1	370,000	2.00	0.50
2015…..	XQ 9	2,285,000	2.00	0.65
2016…..	XR 7	2,335,000	2.00	0.85
2017…..	XS 5	2,380,000	2.00	1.00
2018…..	XT 3	1,305,000	2.00	1.25
2019…..	XU 0	985,000	1.50	1.50
2020…..	XV 8	1,005,000	1.75	1.75
2021…..	XW 6	665,000	2.00	2.00
2022…..	XX 4	215,000	2.25	2.25

1 The anticipated date of delivery is Tuesday, November 20, 2012.

Table Of Contents

Page

AMENDEMENT OF THIS OFFICIAL STATEMENT 1
INTRODUCTION 1
Public Sale/Electronic Bid 2
The State Of Utah 2
The Authority 2
Authorization For And Purpose Of The 2012 Bonds; Prior Parity Bonds 2
Plan Of Refunding 3
Security For The 2012 Bonds; Cross Collateralization 6
Redemption Provisions 6
Tax Matters Regarding The 2012 Bonds 6
Professional Services 7
Conditions On Delivery, Anticipated Date, Manner, And Place Of Delivery For The 2012 Bonds 7
Risks Inherent In The Ownership Of The 2012 Bonds 8
Continuing Disclosure Undertaking 8
Basic Documentation 8
Contact Persons 8
CONTINUING DISCLOSURE UNDERTAKING 9
THE 2012 BONDS 10
General 10
Registration, Denominations, Manner Of Payment Of The 2012 Bonds 11
Transfer Or Exchange Of The 2012 Bonds; Regular Record Date 12
Estimated Sources And Uses Of Funds 12
Security And Sources Of Payment For The 2012 Bonds 12
Redemption Provisions For The 2012 Bonds 15
Book–Entry System 17
Manner Of Payment, Registration, Transfer And Exchange 17
STATE BUILDING OWNERSHIP AUTHORITY 17
Establishment And Statutory Powers 17
State Building Board 18
Division Of Facilities Construction And Management 18
Legal Borrowing Debt Capacity 18
The State's Limited Lease Rental Obligation 19
Debt Issuance 19
Debt Service Schedule Of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year 22
No Defaulted Authority Bonds Or Failures By State To Renew Lease 24
THE FACILITIES 24
The Facilities As Security For The 2012 Bonds 24
The Facilities Financed With The Bonds 24
Cross–Collateralization 25
Release Of Portions Of Facilities 26
Maintenance Of The Facilities 27
RISK FACTORS 27
Limited Obligations 27
General Economic Conditions 28
No Reserve Fund For The 2012 Bonds Or Any Other Bonds 28
Expiration Or Termination Of The Lease 28
Possible Difficulties In Selling Or Re–letting The Facilities 28
Delays In Exercising Remedies; Limitations On Enforceability 29
Possible Shortfall In Costs Of Acquisition And Construction Of The Facilities 29
Destruction Of The Facilities 30
Depreciation And Lack Of Residual Value 30

Page

Tax–Exempt Status Of The 2012A Bonds; Continuing Compliance With Certain Covenants 30
Other Factors Regarding The Facilities 30
Changes In State Government 31
Federal Funding Cuts 31
STATE OF UTAH GOVERNMENTAL ORGANIZATION 31
Constitutional Departments 31
Certain Other Administrative Bodies 32
DEBT STRUCTURE OF THE STATE OF UTAH 32
General Obligation Bonds Of The State 32
Revenue Bonds And Notes 33
Lease Obligations 33
State Guaranty Of General Obligation School Bonds 34
State Moral Obligation Bonds 35
No Defaulted Bonds 35
FINANCIAL INFORMATION REGARDING THE STATE OF UTAH 36
Generally 36
Recent Developments 36
Management's Discussion And Analysis Of Financial Statements 37
Five–Year Financial Summaries 37
Property Tax Matters 41
Budgetary Procedures 44
State Funds And Accounting 44
State Tax System 45
State Revenues 46
Capital Expenditure Authorizations 50
Investment Of Funds 51
State Employee Workforce And Public Retirement System 51
Other Postemployment Benefits 55
Risk Management And Insurance 55
LEGAL MATTERS 56
Absence Of Litigation Concerning The 2012 Bonds 56
Miscellaneous Legal Matters 56
Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On 2012 Bonds 56
Federal Income Tax Matters 57
State Of Utah Income Tax 57
No Further Opinion 57
General 57
MISCELLANEOUS 58
Bond Ratings 58
Trustee 58
Escrow Verification 58
Financial Advisor 59
Independent Auditor 59
Additional Information 59
APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012 ..... A–1
APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH B–1
APPENDIX C—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH C–1
APPENDIX D—BASIC DOCUMENTATION D–1
APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL E–1
APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING F–1
APPENDIX G—BOOK–ENTRY SYSTEM G–1

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 2012 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by either the State; the Authority; Zions Bank Public Finance, Salt Lake City, Utah (as Financial Advisor); Wells Fargo Bank, Corporate Trust Division, Denver, Colorado (as Trustee, Bond Registrar and Paying Agent); or any other entity. All information contained herein has been obtained from the State, The Depository Trust Company, 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 2012 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the Authority or the State since the date hereof.

The 2012 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 2012 Bonds in accordance with applicable provisions of the securities laws of the states in which the 2012 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 2012 Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s), may allow concessions or discounts from the initial offering prices of the 2012 Bonds to dealers and others. In connection with the offering of the 2012 Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2012 Bonds. Such transactions may include overallotments in connection with the purchase of 2012 Bonds, the purchase of 2012 Bonds to stabilize their market price and the purchase of 2012 Bonds to cover the successful bidders(s)' short positions. Such transactions, if commenced, may be discontinued at any time.

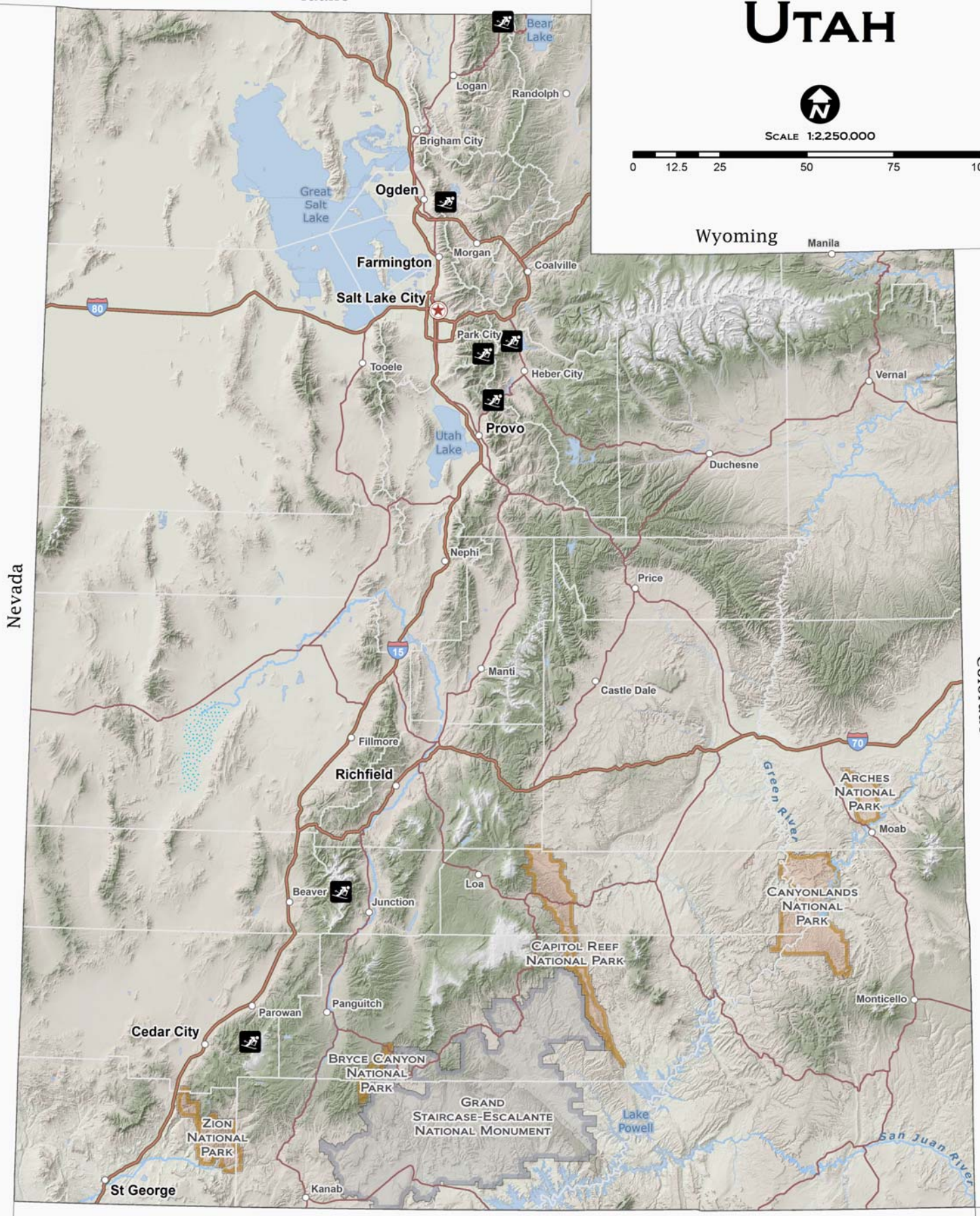
Forward–Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute "forward–looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, 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 change after the issuance of the 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2012 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 2012 Bonds and is not a part of this OFFICIAL STATEMENT.

Utah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Coalville
Salt Lake City
Park City
Tooele
Heber City
Provo
Utah Lake
Manila
Vernal
Duchesne
Nephi
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Manti
Castle Dale
Fillmore
Richfield
Green River
Arches National Park
Moab
Beaver
Junction
Loa
Canyonlands National Park
Capitol Reef National Park
Monticello
Parowan
Panguitch
Cedar City
Bryce Canyon National Park
Grand Staircase-Escalante National Monument
Lake Powell
Zion National Park
San Juan River
St George
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OFFICIAL STATEMENT RELATED TO

State of Utah, State Building Ownership Authority

$15,610,000 Lease Revenue Refunding Bonds
(State Facilities Master Lease Program), Series 2012A

$11,700,000 Federally Taxable Lease Revenue and Refunding Bonds
(State Facilities Master Lease Program), Series 2012B

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

AMENDEMENT OF THIS OFFICIAL STATEMENT

Shortly after the date of this OFFICIAL STATEMENT the Comprehensive Annual Financial Report ("CAFR") of the State of Utah (the "State") for the Fiscal Year Ended June 30, 2012, was released to the public. This OFFICIAL STATEMENT has been amended and conformed to incorporate the financial information made available by the release of the CAFR for the Fiscal Year Ended June 30, 2012. Additionally, the State's CAFR for the Fiscal Year Ended June 30, 2011, that was originally included as APPENDIX A to this OFFICIAL STATEMENT has been replaced with the State's CAFR for the Fiscal Year Ended June 30, 2012.

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 its $15,610,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 2012A (the "2012A Bonds" or the "2012A Bond") and $11,700,000 Federally Taxable Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2012B (the "2012B Bonds" or the "2012B Bond", and collectively with the 2012A Bonds, the "2012 Bonds" or "2012 Bond").

This introduction is only a brief description of the 2012 Bonds and the security and source of payment for the 2012 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 2012 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] 20YY" 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 indi-

cated. 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."

Public Sale/Electronic Bid

The 2012 Bonds were separately awarded on November 8, 2012, pursuant to competitive bidding received by means of the ***PARITY***® electronic bid submission system on November 7, 2012, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated October 26, 2012, as amended). The 2012A Bonds and the 2012B Bonds were both awarded to BMO Capital Markets GKST Inc., Chicago, Illinois, pursuant to separate bids, at a "true interest rate" of 2.11% and 1.37%, respectively.

The 2012 Bonds may be offered and sold to certain dealers (including dealers depositing the 2012 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page of the OFFICIAL STATEMENT and such public offering prices may be changed from time to time.

The State Of Utah

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. The State's 2011 population estimate by the U.S. Census Bureau was 2,817,222 people. For additional information regarding the State see "APPENDIX C—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH."

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 2012 Bonds; Prior Parity Bonds

The 2012 Bonds are being issued pursuant to: (i) the Building Ownership Act; the Utah Refunding Bond Act, Title 11, Chapter 27 of the Utah Code (the "Refunding Bond Act"); Section 63B–21–101(1) of the Utah Code (the "2012 Bonding Act") (related to the Sevier County Courts Building in Richfield, Utah); and other applicable State law (collectively with the Building Ownership Act, the Refunding Bond Act and the 2012 Bonding Act, the "Act"); (ii) resolutions adopted by the Authority on September 12, 2012 (the "Parameters Resolution") and on November 8, 2012 (the "Final Bond Resolution" and, together with the Parameters Resolution, the "Resolutions") which provide for the authorization, issuance, sale and delivery of the 2012 Bonds; and (iii) 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 (collectively, the "Indenture"), between the Authority and Wells Fargo Bank, N.A., Corporate Trust Services, Denver, Colorado ("Wells Fargo Bank"), as trustee (the "Trustee") and as further supplemented by the Nineteenth Supplemental Indenture of Trust dated as of November 1, 2012, by and between the Authority and the Trustee.

The 2012 Bond are being issued for the purpose of: (i) refunding in advance of their maturity certain outstanding lease revenue bonds previously issued by the Authority; (ii) to finance the acquisition of the Sevier County Courts building and adjacent land in Richfield City, Utah, and related facilities, property and improvements (the "2012 Facilities"); and (iii) for the payment of the cost associated with the issuance of the 2012 Bonds. See "INTRODUCTION—Plan Of Refunding", "THE 2012 BONDS—Estimated Sources And Uses Of Funds" and "THE FACILITIES" below.

The Authority has previously issued 24 series of Bonds under the Indenture (collectively, the "Prior Parity Bonds"), 12 of which are currently outstanding, to finance and refinance the cost of various projects, which projects may include a variety of real or personal property (collectively, the "Facilities" or "Leased Property") pursuant to the Act. The 2012 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 Tuesday, November 20, 2012 (the anticipated delivery date of the 2012 Bonds), the outstanding aggregate principal amount of the Prior Parity Bonds (after giving affect to the refunding of the Refunded Bonds as defined herein) will be $272,805,000 (exclusive of the 2012 Bonds).

The 2012 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 2012 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 2012 BONDS—Security And Sources Of Payment For The 2012 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 and as further supplemented by the Nineteenth State Facilities Master Lease Agreement dated as of November 1, 2012 (collectively, the "Lease").

Plan Of Refunding

The Authority has previously issued its:

(i) $8,355,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 2006A, dated January 19, 2006, currently outstanding in the aggregate principal amount of $6,845,000 (the "2006 Bonds"), the original proceeds of which were used for the cost of the acquisition of real estate, and the acquisition, construction and equipping of certain building facilities for the Department of Alcoholic Beverage Control;

(ii) $45,805,000 Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2004A, dated October 26, 2004, currently outstanding in the aggregate principal amount of $18,825,000 (the "2004A Bonds"), the original proceeds of which were used for the refunding of lease revenue bonds and the acquisition of real estate, and the acquisition, construction and equipping of certain building facilities; and

(iii) $22,725,000 Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2003, dated December 30, 2003, currently outstanding in the aggregate principal amount of $13,880,000 (the "2003 Bonds"), the original proceeds of which were used for the refunding of lease

revenue bonds and the acquisition of real estate, and the acquisition, construction and equipping of certain building facilities.

2012A Bonds

Certain proceeds from the 2012A Bonds in the aggregate amount of $17,177,933.09 will be deposited with Wells Fargo Bank, N.A., Corporate Trust Services, as Escrow Agent (the "Escrow Agent"), pursuant to an Escrow Agreement dated as of the delivery date of the 2012A Bonds (the "Escrow Agreement") to establish an irrevocable trust escrow account (the "2012A Escrow Account"), consisting of cash and government obligations of the United States of America. Funds in the 2012A Escrow Account shall be used to refund in advance of their stated maturity certain of the outstanding bonds as follows:

(i) Amounts in the 2012A Escrow Account shall be used to pay principal of and interest on certain callable portions of the 2006 Bonds maturing on and after May 15, 2019 (the "2006 Refunded Bonds"), at a redemption price of 100% of the principal amount thereof on May 15, 2016 (the "2006 Redemption Date"). The 2006 Refunded Bonds mature on the dates and in the amounts, and bear interest at the rates, as follows:

Scheduled Maturity (May 15)	Redemption Date	CUSIP 917547	Principal Amount	Interest Rate	Redemption Price
2019	May 15, 2016	SG 7	$ 425,000	4.25%	100%
2020	May 15, 2016	SH 5	445,000	4.25	100
2021	May 15, 2016	SJ 1	465,000	5.00	100
2022	May 15, 2016	SK 8	485,000	4.75	100
2023	May 15, 2016	SL 6	510,000	5.00	100
Totals			$2,330,000		

The cash and investments held in the 2012A Escrow Account will be sufficient to pay (a) the interest falling due on the 2006 Refunded Bonds through the 2006 Redemption Date and (b) the redemption price of the 2006 Refunded Bonds, due and payable on the 2006 Redemption Date.

(ii) Amounts in the 2012A Escrow Account shall be used to pay principal of and interest on the remaining callable portion of the 2004A Bonds maturing on May 15, 2027 (the "2004A Refunded Bonds"), at a redemption price of 100% of the principal amount thereof on May 15, 2014 (the "2004A Redemption Date"). The 2004A Refunded Bonds mature on the date and in the amount, and bear interest at the rate, as follows:

Scheduled Maturity (May 15)	Redemption Date	CUSIP 917547	Principal Amount	Interest Rate	Redemption Price
2027	May 15, 2014	RH 6	$3,790,000	4.75%	100%

The cash and investments held in the 2012A Escrow Account will be sufficient to pay (a) the interest falling due on the 2004A Refunded Bonds through the 2004A Redemption Date and (b) the redemption price of the 2004A Refunded Bonds, due and payable on the 2004A Redemption Date.

(iii) Amounts in the 2012A Escrow Account shall be used to pay principal of and interest on certain callable portions of the 2003 Bonds maturing on and after May 15, 2017 (the "2003 Refunded Bonds"), at a redemption price of 100% of the principal amount thereof on May 15, 2014 (the "2003 Redemption Date"). The 2003 Refunded Bonds mature on the dates and in the amounts, and bear interest at the rates, as follows:

Scheduled Maturity (May 15)	Redemption Date	CUSIP 917547	Principal Amount	Interest Rate	Redemption Price
2017	May 15, 2014	QB 0	$ 940,000	4.10 %	100%
2018	May 15, 2014	QC 8	980,000	4.20	100
2019	May 15, 2014	QD 6	1,020,000	4.20	100
2020	May 15, 2014	QE 4	1,065,000	4.25	100
2021	May 15, 2014	QF 1	1,110,000	4.375	100
2022	May 15, 2014	QG 9	1,160,000	4.40	100
2023	May 15, 2014	QH 7	1,210,000	4.50	100
2024	May 15, 2014	QJ 3	1,265,000	4.50	100
2025	May 15, 2014	QK 0	1,080,000	5.00	100
Totals			$9,830,000		

The cash and investments held in the 2012A Escrow Account will be sufficient to pay (a) the interest falling due on the 2003 Refunded Bonds through the 2003 Redemption Date and (b) the redemption price of the 2003 Refunded Bonds, due and payable on the 2003 Redemption Date.

2012B Bonds

Certain proceeds from the 2012B Bonds in the aggregate amount of $9,969,903.24 will be deposited with the Escrow Agent, pursuant to an Escrow Agreement dated as of the delivery date of the 2012B Bonds (the "2012B Escrow Agreement") to establish an irrevocable trust escrow account (the "2012B Escrow Account"), consisting of cash and government obligations of the United States of America. Funds in the 2012B Escrow Account shall be used to refund in advance of their stated maturity certain of the outstanding 2004A Bonds as follows:

Amounts in the 2012B Escrow Account shall be used to pay principal of and interest on all of the previously unrefunded callable portion of the 2004A Bonds maturing on and after May 15, 2015 (the "2004A Taxable Refunded Bonds"), at a redemption price of 100% of the principal amount thereof on May 15, 2014 (the "2004A Taxable Redemption Date"). The 2004A Taxable Refunded Bonds mature on the dates and in the amounts, and bear interest at the rates, as follows:

Scheduled Maturity (May 15)	Redemption Date	CUSIP 917547	Principal Amount	Interest Rate	Redemption Price
2015	May 15, 2014	VY 4	$1,910,000	5.00 %	100%
2016	May 15, 2014	VZ 1	2,010,000	5.00	100
2017	May 15, 2014	WA 5	2,110,000	5.00	100
2018	May 15, 2014	WB 3	1,090,000	5.00	100
2019	May 15, 2014	WC 1	800,000	5.00	100
2020	May 15, 2014	WD 9	845,000	5.25	100
2021	May 15, 2014	WE 7	530,000	5.25	100
Totals			$9,295,000		

The cash and investments held in the 2012B Escrow Account will be sufficient to pay (a) the interest falling due on the 2004A Taxable Refunded Bonds through 2004A Taxable Redemption Date and (b) the redemption price of the 2004A Taxable Refunded Bonds, due and payable on the 2004A Taxable Redemption Date.

Certain mathematical computations regarding the sufficiency of and the yield on the investments held in the 2012A Escrow Account and the 2012B Escrow Account will be verified by Grant Thornton LLP, Minneapolis, Minnesota. See "MISCELLANEOUS—Escrow Verification" below.

Security For The 2012 Bonds; Cross Collateralization

The 2012 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 2012 Bonds. See "THE 2012 BONDS—Security And Sources Of Payment For The 2012 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 2012 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 2012 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 2012 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 2012 BONDS—Security And Sources Of Payment For The 2012 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 2012 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 2012A Bonds are subject to optional redemption and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities) prior to maturity. The 2012B Bonds are not subject to optional redemption, but are subject to extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities) prior to maturity. See "THE FACILITIES" and "THE 2012 BONDS—Redemption Provisions For The 2012 Bonds" below.

Tax Matters Regarding The 2012 Bonds

The 2012A Bonds. In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, interest on the 2012A 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 2012A 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 2012A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2012A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel is also of the opinion that, under currently existing law, interest on the 2012A Bonds is exempt from State of Utah individual income taxes.

The 2012B Bonds. ***Interest on the 2012B 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 2012B 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 2012 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 2012 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 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 NA
Corporate Trust Services
MAC C7300–107
1740 Broadway
Denver CO 80274
303.863.4884 | f 303.863.5645
ethel.m.vick@wellsfargo.com

Disclosure Counsel

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

Escrow Verification Agent

Grant Thornton LLP
Accountants and Management Consultants
500 Pillsbury Center
Minneapolis MN 55402
612.332.0001 | f 612.332.8361
stephanie.seroogy@gt.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
jon.bronson@zionsbank.com

Conditions On Delivery, Anticipated Date, Manner, And Place Of Delivery For The 2012 Bonds

The 2012 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality by Ballard Spahr 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 regarding this OFFICIAL STATEMENT will be passed on for the Authority and the State by Chapman and Cutler LLP. It is expected that the 2012 Bonds, in book–entry form, will be available for delivery in Salt Lake City, Utah, for deposit with DTC or its agent on Tuesday, November 20, 2012.

Risks Inherent In The Ownership Of The 2012 Bonds

The purchase of the 2012 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2012 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 Undertaking

The State will enter into a continuing disclosure undertaking for the benefit of the Owners of the 2012 Bonds. For a detailed discussion of this disclosure undertaking, previous undertakings and timing of submissions see "CONTINUING DISCLOSURE UNDERTAKING" below and "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING."

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Authority, the State, the 2012 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 2012 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 2012 Bonds. Descriptions of the Indenture, the Lease and the 2012 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 2012 Bonds, the Indenture, the Lease and other documentation, authorizing the issuance of the 2012 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 DFCM concerning the 2012 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 2012 Bonds is:

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

Utah State Treasurer's Office
Utah 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

The State Treasurer's web site may be found at utah.gov/treasurer. In addition the Treasurer's office has provided additional information for "investors" at utah.gov/treasurer/investor-overview.

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

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

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

CONTINUING DISCLOSURE UNDERTAKING

The State will enter into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of the Owners of the 2012 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") pursuant to the requirements of paragraph (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. No person, other than the State, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the 2012 Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Disclosure Undertaking in "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The State has complied in all material respects with each and every undertaking previously entered into by it pursuant to the Rule.

Based on prior disclosure undertakings the State submits its annual CAFR (Fiscal Year Ending June 30) and other operating and financial information on or before January 15th (on or before 199 days from the end of the Fiscal Year). The State will submit the Fiscal Year 2012 CAFR and other operating and financial information for the 2012 Bonds on or before January 15, 2013, and annually thereafter on or before each January 15th.

A failure by the State to comply with the Disclosure Undertaking will not constitute a default under the Indenture, and Owners of the 2012 Bonds are limited to the remedies provided in the Disclosure Undertaking. See "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING–Consequences of Failure of the State to Provide Information." A failure by the State to comply with the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any

broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2012 Bonds in the secondary market. Any such failure may adversely affect the marketability of the 2012 Bonds.

THE 2012 BONDS

General

The 2012 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. 2012 Bond principal and/or interest payments are then paid by the Trustee on May 15 and November 15. The following table shows scheduled debt service on the 2012 Bonds based on Base Rental Payments.

2012A Bonds

Due Date (Base Rental Payment)	The 2012A Bonds Principal	Interest	Period Total	Fiscal Total
May 1, 2013	$ 0.00	$ 251,307.29	$ 251,307.29	$ 251,307.29
November 1, 2013	0.00	258,487.50	258,487.50	
May 1, 2014	0.00	258,487.50	258,487.50	516,975.00
November 1, 2014	0.00	258,487.50	258,487.50	
May 1, 2015	0.00	258,487.50	258,487.50	516,975.00
November 1, 2015	0.00	258,487.50	258,487.50	
May 1, 2016	0.00	258,487.50	258,487.50	516,975.00
November 1, 2016	0.00	258,487.50	258,487.50	
May 1, 2017	990,000.00	258,487.50	1,248,487.50	1,506,975.00
November 1, 2017	0.00	251,062.50	251,062.50	
May 1, 2018	1,005,000.00	251,062.50	1,256,062.50	1,507,125.00
November 1, 2018	0.00	243,525.00	243,525.00	
May 1, 2019	1,445,000.00	243,525.00	1,688,525.00	1,932,050.00
November 1, 2019	0.00	221,850.00	221,850.00	
May 1, 2020	1,490,000.00	221,850.00	1,711,850.00	1,933,700.00
November 1, 2020	0.00	192,050.00	192,050.00	
May 1, 2021	1,555,000.00	192,050.00	1,747,050.00	1,939,100.00
November 1, 2021	0.00	153,175.00	153,175.00	
May 1, 2022	1,630,000.00	153,175.00	1,783,175.00	1,936,350.00
November 1, 2022	0.00	112,425.00	112,425.00	
May 1, 2023	1,710,000.00	112,425.00	1,822,425.00	1,934,850.00
November 1, 2023	0.00	86,775.00	86,775.00	
May 1, 2024	1,230,000.00	86,775.00	1,316,775.00	1,403,550.00
November 1, 2024	0.00	68,325.00	68,325.00	
May 1, 2025	2,850,000.00	68,325.00	2,918,325.00	2,986,650.00
November 1, 2025	0.00	25,575.00	25,575.00	
May 1, 2026	1,135,000.00	25,575.00	1,160,575.00	1,186,150.00
November 1, 2026	0.00	8,550.00	8,550.00	
May 1, 2027	570,000.00	8,550.00	578,550.00	587,100.00
Totals	$15,610,000.00	$5,045,832.29	$20,655,832.29	

[1] The anticipated date of delivery is Tuesday, November 20, 2012.

2012B Bonds

Due Date (Base Rental Payment)	The 2012B Bonds Principal	Interest	Period Total	Fiscal Total
May 1, 2013	$ 155,000.00	$ 110,395.83	$ 265,395.83	$ 265,395.83
November 1, 2013	0.00	112,000.00	112,000.00	
May 1, 2014	370,000.00	112,000.00	482,000.00	594,000.00
November 1, 2014	0.00	108,300.00	108,300.00	
May 1, 2015	2,285,000.00	108,300.00	2,393,300.00	2,501,600.00
November 1, 2015	0.00	85,450.00	85,450.00	
May 1, 2016	2,335,000.00	85,450.00	2,420,450.00	2,505,900.00
November 1, 2016	0.00	62,100.00	62,100.00	
May 1, 2017	2,380,000.00	62,100.00	2,442,100.00	2,504,200.00
November 1, 2017	0.00	38,300.00	38,300.00	
May 1, 2018	1,305,000.00	38,300.00	1,343,300.00	1,381,600.00
November 1, 2018	0.00	25,250.00	25,250.00	
May 1, 2019	985,000.00	25,250.00	1,010,250.00	1,035,500.00
November 1, 2019	0.00	17,862.50	17,862.50	
May 1, 2020	1,005,000.00	17,862.50	1,022,862.50	1,040,725.00
November 1, 2020	0.00	9,068.75	9,068.75	
May 1, 2021	665,000.00	9,068.75	674,068.75	683,137.50
November 1, 2021	0.00	2,418.75	2,418.75	
May 1, 2022	215,000.00	2,418.75	217,418.75	219,837.50
Totals	$11,700,000.00	$1,031,895.83	$12,731,895.83	

Interest on the 2012 Bonds will be computed on the basis of a 360–day year of 12, 30–day months. Wells Fargo Bank, is the initial Registrar (the "Registrar"), Paying Agent (the "Paying Agent") and Trustee with respect to the 2012 Bonds.

The 2012 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 2012 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 2012 Bonds

The 2012 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 2012 Bonds. Purchases of 2012 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 2012 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 2012 Bonds. "Direct Participants," "Indirect Participants" and "Beneficial Owners" are defined in "APPENDIX G—BOOK–ENTRY SYSTEM."

Principal of and interest on the 2012 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2013) are payable by the Paying Agent to the Owners of the 2012 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 2012 Bonds, as described under "APPENDIX G—BOOK–ENTRY SYSTEM."

So long as DTC or its nominee is the sole registered owner of the 2012 Bonds, none of the Authority, the State, the successful bidder(s), 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 2012 Bonds. *Under these same circumstances, references herein and in the Indenture to the "Bondowners" or "Registered Owners" of the 2012 Bonds shall mean Cede & Co. as nominee for DTC and shall not mean the Beneficial Owners of the 2012 Bonds.*

Transfer Or Exchange Of The 2012 Bonds; Regular Record Date

No transfer or exchange of any 2012 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 2012 Bonds selected for redemption and ending at the close of business on the day of such mailing, and (iii) for any 2012 Bond so selected for redemption, in whole or in part, except the unredeemed portion of such 2012 Bond being redeemed in part. Regular Record Date shall mean the first day of the month in which such Bond Interest Payment Date occurs.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2012 Bonds are estimated to be applied as set forth below:

	2012A Bonds	2012B Bonds	2012 Bonds Totals
Sources of Funds:			
Par amount of 2012A Bonds	$15,610,000.00	$ –	$15,610,000.00
Par amount of 2012B Bonds	–	11,700,000.00	11,700,000.00
Original issue premium	1,780,111.10	333,241.30	2,113,352.40
Total	$17,390,111.10	$12,033,241.30	$29,423,352.40
Uses of Funds:			
Deposit to 2012A Escrow Account	$17,177,933.09	$ –	$17,177,933.09
Deposit to 2012B Escrow Account	–	9,969,903.24	9,969,903.24
Acquisition of 2012 Facilities	–	1,900,000.00	1,900,000.00
Costs of issuance (1)	114,229.99	112,450.56	226,680.55
Successful bidder's discount	97,948.02	50,887.50	148,835.52
Total	$17,390,111.10	$12,033,241.30	$29,423,352.40

(1) Includes legal fees, Financial Advisor fees, rating agency fees, Trustee fees, Bond Registrar and Paying Agent fees, Escrow Agent fees, escrow verification agent fees rounding amounts and other miscellaneous costs of issuance.

Security And Sources Of Payment For The 2012 Bonds

The Lease and the Indenture. The 2012 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 "Initial Term"). The State has exercised its option to extend the term of the Lease in each subsequent year. The current term will expire June 30, 2013. 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 2013 through 2029, and a final Renewal Term commencing July 1, 2030, and ending May 16, 2031, 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 2012 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, 2013, 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 2012 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 2012 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 2012 Bonds. The Authority does not have any taxing power.

So long as the Lease does not expire on June 30, 2013, 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 2012 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 2012 Legislative General Session appropriated funds sufficient to pay Base Rentals and Additional Rentals due under the Lease during Fiscal Year 2013 (which commenced on July 1, 2012 and will end on June 30, 2013), 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 2012 Bonds as and when due, the Governor may request the Legislature to appropriate additional funds 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 2012 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 dur-

ing 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 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 2012 Bonds. ***The Authority will not create or fund a debt service reserve fund for the 2012 Bonds.***

Additional Bonds; Refunding Bonds. Additional Bonds may be issued pursuant to the Indenture on a parity with the 2012 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 2012 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 2012 Bonds

2012A Bonds Optional Redemption. The 2012A Bonds maturing on or before May 15, 2022, are not subject to redemption prior to maturity, except as otherwise described under this caption "Redemption Provisions For The 2012 Bonds." The 2012A Bonds maturing on or after May 15, 2023, are subject to redemption (i) in whole on any business day on or after November 15, 2022, in the event that the Lessee exercises its option pursuant to the Master Lease to purchase all the Leased Property thereunder or (ii) in part on November 15, 2022, or on any date thereafter from such maturities or portions thereof designated by the Lessee in the event that the Lessee prepays additional Base Rentals pursuant to the Master Lease or purchases a portion of the Leased Property representing separate Facilities pursuant to the Master Lease, all as provided in the Indenture. If called for redemption as described in this paragraph, the 2012A Bonds to be redeemed, in whole or in part, shall be redeemed at a redemption price, expressed as a percentage of the principal amount of the 2012A Bonds to be redeemed, equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

2012B Bonds No Optional Redemption. The 2012B Bonds are not subject to optional redemption prior to maturity, except as otherwise described under the caption "Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation" below.

Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation. The 2012 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 2012 Bonds are called for extraordinary optional redemption, the 2012 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 2012 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 2012 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 2012 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 2012 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 2012 Bond, shall not affect the validity of any proceedings for the redemption of any other 2012 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 2012 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 2012 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 2012 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 2012 Bonds called for redemption, which moneys are or will be available for redemption of 2012 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 2012 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 2012 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 2012 Bonds to be redeemed, upon presentation and surrender of such 2012 Bonds.

Partial Redemption of 2012 Bonds. In the case of a partial redemption of 2012 Bonds when 2012 Bonds of denominations greater than $5,000 are then outstanding, then for all purposes in connection with such partial redemption, each $5,000 of face value shall be treated as though it were a separate 2012 Bond of the denomination of $5,000. If it is determined that one or more, but not all, of the $5,000 units of face value represented by any 2012 Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units (given by the Trustee), the Owner of such 2012 Bond shall forthwith surrender such 2012 Bond to the Trustee (a) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the $5,000 unit or units of face value called for redemption and (b) for exchange, without charge to the Owner thereof, for a new 2012 Bond or 2012 Bonds of the same Series, designation, maturity and interest rate and in any of the authorized denominations, at the option of the Owner thereof, of the aggregate principal amount of the unpaid balance of the principal amount of the 2012 Bond to be so redeemed. If the Owner of any such 2012 Bond of a denomination greater than $5,000 shall fail to present such 2012 Bond to the Trustee for redemption and

exchange as aforesaid, the principal amount of such 2012 Bond to be redeemed shall, nevertheless, become due and payable on the redemption date to the extent of the $5,000 unit or units of face value called for redemption (and to that extent only); interest shall cease to accrue on the portion of the principal amount of such 2012 Bond to be redeemed represented by such $5,000 unit or units of face value on and after the redemption date and (funds sufficient for the payment of the redemption price having been deposited with the Trustee and being available for the redemption of said unit or units on the redemption date) such 2012 Bond shall not be entitled to the benefit or security of the Indenture to the extent of the portion of its principal amount (and accrued interest thereon after the redemption date) represented by such $5,000 unit or units of face value nor shall new 2012 Bonds be thereafter issued corresponding to said unit or units. 2012 Bonds shall be redeemed only in the principal amount of $5,000 each or any whole multiple thereof.

With respect to any partial redemption of 2012 Bonds of less than all of a particular maturity of 2012 Bonds, the particular 2012 Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall determine to be fair and equitable.

Book–Entry System

DTC will act as securities depository for the 2012 Bonds. The 2012 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 2012 Bond certificate will be issued for each maturity of the 2012 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 2012 Bonds (the "Register"). In all cases in which the privilege of exchanging or transferring the 2012 Bonds is exercised in the event that the book–entry system is discontinued and 2012 Bonds are transferred or exchanged, the Authority shall execute, and the Trustee shall authenticate, register and deliver, 2012 Bonds in accordance with the provisions of the Indenture. In such cases, any 2012 Bond may, in accordance with its terms, be transferred upon the Register by the Owner of the 2012 Bond, in person or by such Owner's duly authorized attorney, upon surrender of such registered 2012 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Similarly, 2012 Bonds may be exchanged in such instances at the principal corporate trust office of the Trustee for a like principal amount of 2012 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 such 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 such 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 November 20, 2012 (the anticipated delivery date of the 2012 Bonds), the legal debt limit and additional debt incurring capacity of the Authority are calculated as follows:

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Fair market value of ad valorem taxable property (1)	$263,825,160,095
Fees in lieu of ad valorem taxable property (2)	10,981,111,283
Total fair market value of taxable property (1)	$274,806,271,378
1.5% debt limit amount	$4,122,094,071
Less: outstanding State general obligation debt (net) (3)	(3,387,686,808)
Less: Authority's outstanding lease revenue bonds (net) (3)	(304,522,759)
Plus: statutorily exempt State general obligation highway debt (net) (3)	2,889,652,020
Authority's estimated additional debt incurring capacity	$3,319,536,524

(1) Based on 2011 taxable values. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" above.

(2) Based on 2011 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.

(3) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits as of November 20, 2012.

Legal Debt Limit Estimate Using Fiscal Year 2012 Estimated Taxable Valuation. Based on early ad valorem property tax reports from the State Tax Commission, the Calendar Year 2012 estimated fair market value and fees in lieu ad valorem taxable property will be approximately $276,400,000,000, leaving the ability of the Authority (after the issuance of the 2012 Bonds) to legally issue an additional approximately $3.34 billion in lease revenue bonds. (Source: Financial Advisor.)

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 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 2012 Bonds of the Authority will be the 25th and 26th 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 2012 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 2012 Bonds are considered to be State Lease Revenue Bonds.

As of November 20, 2012, the Authority will have the following State Lease Revenue Bonds outstanding under the State Facilities Master Lease Program and other separate stand–alone legal documents:

Issued (On a Parity Basis) Under the State Facilities Master Lease Program

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2012B (2)	Refunding/acquisition	$ 11,700,000	May 15, 2022	$ 11,700,000
2012A (2).....	Refunding	15,610,000	May 15, 2027	15,610,000
2011	Various purposes	5,250,000	May 15, 2031	5,025,000
2010	Refunding	36,735,000	May 15, 2024	34,655,000
2009E (3)	Huntsman Hospital (BABs)	89,470,000	May 15, 2030	89,470,000
2009D.....	Huntsman Hospital	12,125,000	May 15, 2017	12,125,000
2009C (3)	DABC Warehouse (BABs)	16,715,000	May 15, 2029	16,715,000
2009B.....	DABC Warehouse	8,445,000	May 15, 2019	7,545,000
2009A.....	DABC Facilities	25,505,000	May 15, 2030	23,800,000
2007A (4).....	DABC/UCI Facilities	15,380,000	May 15, 2028	13,455,000
2006A (5).....	DABC Facilities	8,355,000	May 15, 2027	4,515,000
2004A (6).....	Refunding/various purposes	45,805,000	May 15, 2014 (9)	5,740,000
2003 (5).....	Refunding/various purposes	22,725,000	May 15, 2016 (10)	4,050,000
1998C (7) (8).....	Refunding	105,100,000	May 15, 2019	55,710,000
Total principal amount of outstanding State Facilities Master Lease Program Bonds				$300,115,000

(1) All bonds rated "Aa1" by Moody's Investors Service, Inc. ("Moody's) and "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), as of the date of this OFFICIAL STATEMENT. No municipal bond rating has been requested from Fitch Ratings ("Fitch").
(2) For purposes of this OFFICIAL STATEMENT the 2012 Bonds will be considered issued and outstanding. The 2012B Bonds are issued as federally taxable bonds.
(3) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(4) These bonds are insured by National Public Finance Guarantee Corp., as of the date of this OFFICIAL STATEMENT.
(5) Portions of this bond issue have been refunded by the 2012A Bonds.
(6) Portions of this bond issue have been refunded by the Series 2010 Bonds, the 2012A Bonds and the 2012B Bonds.
(7) These bonds are insured by Assured Guaranty Municipal Corp.
(8) Portions of this bond issue (principal amounts maturing 2013 through 2019, in the total aggregate amounts of $2,925,000 and $4,515,000, totaling $7,440,000) have been legally defeased by separate irrevocable escrow accounts, which accounts were funded from available cash on hand.
(9) Final maturity date after the refunding effected by the 2012 Bonds.
(10) Final maturity date after the refunding effected by the 2012A Bonds.

Other series of State Lease Revenue Bonds issued by the Authority, as listed below under the caption "Issued Under Separate Stand Alone Legal Documents," are not issued on a parity basis with the State Lease Revenue Bonds issued under the State Facilities Master Lease Program or each other. Separate debt service reserve funds have been established and funded for each of these 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	$495,000

(1) Rated "Aa1" by Moody's, and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT. No municipal bond rating has been requested from Fitch.

Summary

Total State Facilities Master Lease Program Bonds	$300,115,000
Total Authority's other bonds	495,000
Total State Lease Revenue Bonds (1)	$300,610,000

(1) For accounting purposes, the total unamortized bond premium is $8,318,883 and the total deferred amount on refunding is $4,406,124 as of November 20, 2012, which together with current debt outstanding of $300,610,000, results in total outstanding net direct debt of $304,522,759.

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 $10.5 million (for capital projects from a 2000 authorization) of remaining bonding authority for future projects that may be undertaken solely by vote of the Authority. *As of the date of this OFFICIAL STATEMENT, the Authority anticipates it will not issue the remaining authorized lease revenue bonds in Fiscal Year 2013.*

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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	Series 2012B $11,700,000		Series 2012A $15,610,000		Series 2011 $5,250,000		Series 2010 $36,735,000		Series 2009E $89,470,000		Series 2009D $12,125,000		Series 2009C $16,715,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest (2)	Principal	Interest	Principal	Interest (2)
2013	$ 155,000	$ 110,396	$ 0	$ 251,307	$ 350,000	$ 139,081	$ 1,545,000	$ 1,732,750	$ 0	$ 4,992,885	$ 0	$ 606,250	$ 0	$ 929,780
2014	370,000	224,000	0	516,975	365,000	130,331	1,620,000	1,655,500	0	4,992,885	1,300,000	606,250	0	929,780
2015	2,285,000	216,600	0	516,975	370,000	122,119	2,880,000	1,574,500	0	4,992,885	3,425,000	541,250	0	929,780
2016	2,335,000	170,900	0	516,975	380,000	114,256	3,030,000	1,430,500	0	4,992,885	3,605,000	370,000	0	929,780
2017	2,380,000	124,200	990,000	516,975	385,000	105,706	3,175,000	1,279,000	0	4,992,885	3,795,000	189,750	0	929,780
2018	1,305,000	76,600	1,005,000	502,125	395,000	97,044	3,330,000	1,120,250	4,010,000	4,992,885	–	–	0	929,780
2019	985,000	50,500	1,445,000	487,050	405,000	87,169	3,510,000	953,750	0	4,807,463	–	–	0	929,780
2020	1,005,000	35,725	1,490,000	443,700	415,000	75,019	2,995,000	778,250	5,295,000	4,807,463	–	–	1,305,000 (5)	929,780
2021	665,000	18,138	1,555,000	384,100	430,000	64,644	3,145,000	628,500	5,555,000	4,539,853	–	–	1,370,000 (5)	860,693
2022	215,000	4,838	1,630,000	306,350	440,000	52,819	3,275,000	471,250	5,830,000	4,248,549	–	–	1,445,000 (5)	788,165
2023	–	–	1,710,000	224,850	455,000	39,619	3,445,000	307,500	5,395,000	3,936,994	–	–	1,520,000 (5)	711,667
2024	–	–	1,230,000	173,550	70,000 (3)	25,400	2,705,000	135,250	5,695,000	3,643,290	–	–	1,605,000 (5)	631,198
2025	–	–	2,850,000	136,650	70,000 (3)	22,600	–	–	6,015,000 (4)	3,327,559	–	–	1,685,000 (6)	546,230
2026	–	–	1,135,000	51,150	75,000 (3)	19,800	–	–	8,635,000 (4)	2,980,614	–	–	1,785,000 (6)	449,039
2027	–	–	570,000	17,100	80,000 (3)	16,800	–	–	9,145,000 (4)	2,482,547	–	–	1,890,000 (6)	346,080
2028	–	–	–	–	80,000 (3)	13,600	–	–	10,665,000 (4)	1,955,064	–	–	1,995,000 (6)	237,065
2029	–	–	–	–	85,000 (3)	10,400	–	–	11,285,000 (4)	1,339,906	–	–	2,115,000 (6)	121,993
2030	–	–	–	–	85,000 (3)	7,000	–	–	11,945,000 (4)	688,988	–	–	–	–
2031	–	–	–	–	90,000 (3)	3,600	–	–	–	–	–	–	–	–
Totals	$ 11,700,000	$ 1,031,896	$ 15,610,000	$ 5,045,832	$ 5,025,000	$ 1,147,006	$ 34,655,000	$ 12,067,000	$ 89,470,000	$ 68,715,598	$ 12,125,000	$ 2,313,500	$ 16,715,000	$ 12,130,370

Fiscal Year Ending	Series 2009B $8,445,000		Series 2009A $25,505,000		Series 2007A $15,380,000		Series 2006A $8,355,000		Series 2004A $45,805,000		Series 2003 $22,725,000		Series 1998C $105,100,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal (15)	Interest
2013	$ 925,000	$ 377,250	$ 900,000	$ 1,134,250	$ 585,000	$ 643,500	$ 335,000	$ 241,296	$ 2,795,000	$ 611,106	$ 1,440,000	$ 378,390	$ 8,805,000	$ 3,064,050
2014	975,000	331,000	925,000	1,107,250	610,000	618,638	350,000	173,515	2,945,000	147,250	835,000	104,400	9,290,000	2,579,775
2015	1,020,000	282,250	950,000	1,079,500	645,000	592,713	365,000	159,515	0	0 (14)	875,000	71,000	8,850,000	2,068,825
2016	1,075,000	231,250	975,000	1,041,500	665,000	563,688	380,000	144,915	0	0 (14)	900,000	36,000	9,230,000 (16)	1,582,075
2017	1,125,000	177,500	1,025,000	1,002,500	695,000	533,763	395,000	129,715	0	0 (14)	0	0 (13)	9,130,000 (16)	1,074,425
2018	1,185,000	121,250	1,075,000	951,250	735,000	502,488	410,000	113,915	0	0 (14)	0	0 (13)	8,295,000 (16)	572,275
2019	1,240,000	62,000	1,125,000	897,500	760,000	471,250	0	96,900 (13)	0	0 (14)	0	0 (13)	2,110,000 (16)	116,050
2020	–	–	1,175,000	841,250	795,000 (8)	438,000	0	96,900 (13)	0	0 (14)	0	0 (13)	–	–
2021	–	–	1,250,000	782,500	835,000 (8)	398,250	0	96,900 (13)	0	0 (14)	0	0 (13)	–	–
2022	–	–	1,300,000	720,000	880,000 (9)	356,500	0	96,900 (13)	0	0 (14)	0	0 (13)	–	–
2023	–	–	1,375,000	655,000	915,000 (9)	312,500	0	96,900 (13)	0	0 (14)	0	0 (13)	–	–
2024	–	–	1,450,000	586,250	965,000 (10)	266,750	535,000 (12)	96,900	0	0 (14)	0	0 (13)	–	–
2025	–	–	1,500,000	513,750	1,015,000 (10)	218,500	560,000 (12)	74,163	0	0	0	0 (13)	–	–
2026	–	–	1,575,000	438,750	1,065,000 (11)	167,750	580,000 (12)	50,363	0	0	–	–	–	–
2027	–	–	1,675,000	360,000	1,115,000 (11)	114,500	605,000 (12)	25,713	0	0 (13)	–	–	–	–
2028	–	–	1,750,000 (7)	276,250	1,175,000 (11)	58,750	–	–	–	–	–	–	–	–
2029	–	–	1,850,000 (7)	188,750	–	–	–	–	–	–	–	–	–	–
2030	–	–	1,925,000 (7)	96,250	–	–	–	–	–	–	–	–	–	–
2031	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Totals	$ 7,545,000	$ 1,582,500	$ 23,800,000	$ 12,672,500	$ 13,455,000	$ 6,257,538	$ 4,515,000	$ 1,694,509	$ 5,740,000	$ 758,356	$ 4,050,000	$ 589,790	$ 55,710,000	$ 11,057,475

(1) These tables reflect the Authority's debt service schedule for its lease revenue bonds for the Fiscal Year shown. This information is based on payments (cash basis) falling due in that particular Fiscal Year.
(2) Issued as federally taxable "Build America Bonds." **Does not reflect a 35% federal interest rate subsidy.**
(3) Mandatory sinking fund payments from a $635,000, 4%, term bond due May 15, 2031.
(4) Mandatory sinking fund payments from a $57,690,000, 5.768%, term bond due May 15, 2030.
(5) Mandatory sinking fund payments from a $7,245,000, 5.294%, term bond due May 15, 2024.
(6) Mandatory sinking fund payments from a $9,470,000, 5.768%, term bond due May 15, 2029.
(7) Mandatory sinking fund payments from a $5,525,000, 5%, term bond due May 15, 2030.
(8) Mandatory sinking fund payments from a $1,630,000, 5%, term bond due May 15, 2021.
(9) Mandatory sinking fund payments from a $1,795,000, 5%, term bond due May 15, 2023.
(10) Mandatory sinking fund payments from a $1,980,000, 5%, term bond due May 15, 2025.
(11) Mandatory sinking fund payments from a $3,355,000, 5%, term bond due May 15, 2028.
(12) Mandatory sinking fund payments from a $2,280,000, 4.25%, term bond due May 15, 2027.
(13) Certain principal maturites and interest have been refunded by the 2012A Bonds.
(14) Certain principal maturites and interest have been refunded by the 2010 Bonds and the 2012B Bonds.
(15) Remaining principal after portions of certain principal amounts maturing May 15, 2013 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	Interest	Total Debt Service
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	–	–	–
2031	–	–	–
Totals	$495,000	$25,988	$ 520,988

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
2013	$ 17,835,000	$ 15,212,292	$ 33,047,292	$495,000	$25,988	$ 520,988	$ 18,330,000	$ 15,238,280	$ 33,568,280
2014	19,585,000	14,117,549	33,702,549	–	–	–	19,585,000	14,117,549	33,702,549
2015	21,665,000	13,147,911	34,812,911	–	–	–	21,665,000	13,147,911	34,812,911
2016	22,575,000	12,124,724	34,699,724	–	–	–	22,575,000	12,124,724	34,699,724
2017	23,095,000	11,056,199	34,151,199	–	–	–	23,095,000	11,056,199	34,151,199
2018	21,745,000	9,979,861	31,724,861	–	–	–	21,745,000	9,979,861	31,724,861
2019	11,580,000	8,959,411	20,539,411	–	–	–	11,580,000	8,959,411	20,539,411
2020	14,475,000	8,446,086	22,921,086	–	–	–	14,475,000	8,446,086	22,921,086
2021	14,805,000	7,773,578	22,578,578	–	–	–	14,805,000	7,773,578	22,578,578
2022	15,015,000	7,045,371	22,060,371	–	–	–	15,015,000	7,045,371	22,060,371
2023	14,815,000	6,285,030	21,100,030	–	–	–	14,815,000	6,285,030	21,100,030
2024	14,255,000	5,558,588	19,813,588	–	–	–	14,255,000	5,558,588	19,813,588
2025	13,695,000	4,839,451	18,534,451	–	–	–	13,695,000	4,839,451	18,534,451
2026	14,850,000	4,157,465	19,007,465	–	–	–	14,850,000	4,157,465	19,007,465
2027	15,080,000	3,362,740	18,442,740	–	–	–	15,080,000	3,362,740	18,442,740
2028	15,665,000	2,540,728	18,205,728	–	–	–	15,665,000	2,540,728	18,205,728
2029	15,335,000	1,661,050	16,996,050	–	–	–	15,335,000	1,661,050	16,996,050
2030	13,955,000	792,238	14,747,238	–	–	–	13,955,000	792,238	14,747,238
2031	90,000	3,600	93,600	–	–	–	90,000	3,600	93,600
Totals	$ 300,115,000	$ 137,063,870	$ 437,178,870	$495,000	$25,988	$ 520,988	$ 300,610,000	$ 137,089,858	$ 437,699,858

(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 subsidy payments on several "Build America 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 2012 Bonds

The 2012 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 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 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 2012 BONDS—Security And Sources Of Payment For The 2012 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 Facilities Financed With The Bonds

Set forth below is a brief description of certain major Facilities financed or refinanced through the proceeds of the 2012 Bonds and the Prior Parity Bonds. The Facilities consist of approximately 65 separate facilities, located in various counties within the State, that are used by various departments of State government and State Bodies including the Department of Alcoholic Beverage Control, the University of Utah's Health Sciences Center, 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 expansion of the Huntsman Cancer Hospital (which is part of the University of Utah's Health Sciences Center) in 2009. The Authority issued approximately $90 million of bonds for construction of a new $102 million, 156,000 square foot expansion to the existing Huntsman Cancer Hospital. Approximately $12 million was contributed to the project by private contributions.

(2) The Huntsman Cancer Hospital was expanded in 2001, with 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, located in Salt Lake County, Utah. The Authority issued 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, built for occupancy for 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)	Completed–2012	2030
Huntsman Cancer Hospital	Completed–2004	2019
State Courts Complex	Completed–1998	2018
DABC Warehouse	Completed–2011	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	2013–2030

(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 2012 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 2012 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 2012 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2012 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 2012 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, and the current term expires on June 30, 2013. 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, 2013. Unless sooner terminated, this annual renewal option will continue through June 30, 2030 with a final renewal term commencing July 1, 2030, and ending May 16, 2031 (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 2012 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 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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, 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 2012 Bonds," 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 2012 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 pre-

viously issued, including the 2012 Bonds and the Prior Parity Bonds. See "THE 2012 BONDS—Security And Sources Of Payment For The 2012 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 2012 BONDS—Redemption Provisions For The 2012 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 2012 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 Of The 2012A Bonds; 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 2012A Bonds to comply with certain covenants relating to the Indenture, the Lease and the 2012A Bonds, on a continuing basis, so long as any of the 2012A Bonds are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in interest on the 2012A 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 2012A Bonds do not provide for payment of any additional interest or penalty or redemption in the event that interest on the 2012A Bonds becomes includible in federal gross income.

Other Factors Regarding The Facilities

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

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

Changes In State Government

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

The obligation of the State to make payments under the Lease is subject to annual appropriation by the Legislature, which consists of the Utah Senate (the "Senate") and the Utah House of Representatives (the "House"), based upon a budget initially presented to the Legislature by the Governor, and an appropriation bill 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 almost certainly change during the period when the 2012 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.

Federal Funding Cuts

Pursuant to the Budget Control Act of 2011 (the "BCA"), cuts to federal programs necessary to reduce federal spending to levels specified in the BCA (known as "sequestration") may be ordered, including cuts to the subsidy payments to be made to issuers of Build America Bonds ("BABs") and various other federal expenditures. BAB subsidy payments are estimated to be cut by 7.6% for 2013 if sequestration occurs. These automatic cuts may be avoided or mitigated if Congress enacts other cuts of an equal or larger amount or takes other action to postpone or change the provisions of the BCA. To date, Congress has not taken any such action. The State and the Authority anticipate that any reductions of subsidy payments with respect to the State's and the Authority's $1,251,150,000 of outstanding BABs or reductions in other federal grants as a result of sequestration would have no material impact on their operations or financial position. The State and the Authority cannot predict whether Congress will take action to avoid sequestration in 2013 or what, if any, sequestration cuts may occur in 2014 or thereafter.

STATE OF UTAH GOVERNMENTAL ORGANIZATION

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

Constitutional Departments

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

Legislative Department. The legislative department is composed of the Senate and the House of Representatives, which constitute the Legislature (the "Legislature"). The Legislature exercises the legislative

power of the State and meets in regular session annually beginning in January. Among other things, the Legislature imposes taxes to provide revenues and makes appropriations to carry out all the activities of State government.

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

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

Certain Other Administrative Bodies

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

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

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

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

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

DEBT STRUCTURE OF THE STATE OF UTAH

General Obligation Bonds Of The State

Outstanding General Obligation Bonds. 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 November 20, 2012, the State will have $3,225,435,000 of outstanding general obligation bonds that mature through Fiscal Year 2027.

Future Issuance of General Obligation Bonds. The State has approximately $413.606 million aggregate principal amount of additional authorized and unissued general obligation bonds. Based on the State's highway and transportation needs, the State anticipates that it may issue approximately $100 million of its authorized and unissued general obligation bonds during Fiscal Year 2014. The State does not anticipate the issuance of any general obligation highway bonds to be issued during Fiscal

Year 2015. The Legislature may authorize the issuance of general obligation building bonds in future Fiscal Years, but such amounts and issuance dates are not know as of the date of this OFFICIAL STATEMENT.

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 OF UTAH."

Revenue Bonds And Notes

State of Utah Recapitalization Revenue Bonds. The State Bonding Commission is authorized, with prior approval of the Legislature, to issue "recapitalization" revenue bonds of the State to provide funds for certain of the State's revolving loan funds. Such State revenue bonds are secured principally by the payments on certain bonds, notes and other obligations owned by the State through such funds and by debt service reserve funds, and constitute "State Moral Obligation Bonds." As of November 20, 2012, the State will have $56,545,000 of outstanding recapitalization revenue bonds that mature through Fiscal Year 2023, with annual principal and interest payments of approximately $6.95 million.

See "State Moral Obligation Bonds" below.

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

Excluding the Authority, the majority of the State's revenue bonds and notes are issued by the Utah Housing Corporation (which is a component unit of the State), or the State Board of Regents (student loans and various capital projects). See "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH–Revenue Bonds And Notes."

Additional information. For a detailed report and description of the various revenue bonds and notes see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements, Note 10. Long–Term Liabilities–C. Revenue Bonds–Business Type Activities; Discrete Component Units" (page 100); "–Note H. Notes Payable" (page 108); and for the State see "APPENDIX B—ADDITIONAL DEBT AND FINANICAL INFORMATION REGARDING THE STATE OF UTAH–Revenue Bonds And Notes."

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 CAFR.

Primary government's total capital lease payment for Fiscal Year 2012 was $2.709 million. The present value of the minimum lease payments of the State's capital leases for primary government as of Fiscal Year 2012 totaled approximately $24.3 million (with annual payments scheduled through Fiscal Year 2031). The present value of the minimum lease payments of capital leases for the State's component

units as of Fiscal Year 2012 totaled approximately $190.8 million (with annual payments scheduled through Fiscal Year 2031).

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 Year 2012 were approximately $29.5 million for primary government and approximately $26.3 million for component units. The total future minimum lease payments for the State's operating leases for primary government for Fiscal Year 2012 totaled approximately $62.7 million (with annual payments scheduled through Fiscal Year 2057). The total future minimum lease payments for the State's operating leases for component units for Fiscal Year 2012 totaled approximately $169.9 million (with annual payments scheduled through Fiscal Year 2051).

For a detailed report and description of operating and capital leases see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements, Note 9. Lease Commitments" (page 96).

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 ("Guaranteed 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 Guaranteed Bonds.

In the event an Eligible School Board was unable to make the scheduled debt service payments on its Guaranteed Bonds, the State would be 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 State School Fund or issue its short–term general obligation notes. The Eligible School Board remains liable to the State for any such payments on Guaranteed 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 Guaranteed Bonds and has not received a Report from the State Superintendent.*

During Fiscal Year 2013, the State is expected to have at least $2.7 billion principal amount outstanding of Guaranteed Bonds. Currently, the Guaranteed Bond program's annual principal and interest payments are scheduled through Fiscal Year 2033. The State cannot predict the amount of bonds that may be guaranteed in this year or in future years; no limitation is currently imposed by the Guaranty Act.

For a 10–year academic year history of the State's public education enrollment see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule D–4 Public Education Student Enrollment" (page 236).

State Moral Obligation Bonds

Bonds issued by the State Board of Regents, the Utah Communications Agency Network, recapitalization revenue bonds issued by the State Bonding Commission and certain qualifying bonds of the Utah Charter School Finance Authority 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. In the case of revenue bonds issued to finance a capital project for a qualifying charter school, if so pledged, an officer of the Utah Charter School Finance Authority will certify to the Governor on or before December 1 of each year the amount, if any, required to restore the amount on deposit in the debt service reserve fund of such qualifying charter school to the debt service reserve fund requirement. Upon receipt of such a certification, the Governor shall then request from the Legislature an appropriation of the amount so certified. In all cases, 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 $923.127 million (as of June 30, 2012) of student loan revenue bonds and $7.295 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 $799.4 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately $735.1 million of which are State Moral Obligation Bonds.

Utah Communications Agency Network. The Utah Communications Agency Network ("UCAN") is a State agency created to regulate the use of the 800 mega–hertz emergency frequency in the State. UCAN has $1.415 million of refunding revenue bonds outstanding, all of which are State Moral Obligation Bonds. Final maturity payment is scheduled for September 15, 2013. See "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements, Note 15. Joint Venture" (page 115).

State of Utah Recapitalization Revenue Bonds. The State Bonding Commission issued revenue bonds in the current outstanding principal amount of $56.545 million as described above under "Revenue Bonds And Notes" above.

Utah Charter School Finance Authority. Statutory authority for the Utah Charter School Finance Authority to issue bonds which qualify as State Moral Obligation Bonds was adopted as part of the 2012 General Session. The Utah Charter School Finance Authority currently has no bonds outstanding which constitute State Moral Obligation Bonds, however, it is anticipated that qualifying bonds of the Utah Charter School Finance Authority will be issued in the future.

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

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 the past three Fiscal Years.

Revenues and Expenditures for Fiscal Years 2012, 2011 and 2010 ($ In Thousands)

Analysis of Operations—General Fund and Major Special Revenue Funds

	Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2010	
	Amounts	% Change From Prior Year	Amounts	% Change From Prior Year	Amounts	% Change From Prior Year
Revenues (1):						
Federal revenues	$ 3,527,996	(2)%	$3,601,008	(3)%	$3,700,617	16%
Individual and corporate income taxes	2,803,914	9	2,563,450	7	2,391,134	(8)
Sales and use tax	1,930,125	7	1,808,212	5	1,729,604	(2)
Other	1,285,191	13	1,139,969	5	1,085,886	(2)
Other taxes	402,721	3	389,254	21	321,592	0
Motor/special fuel taxes	353,299	0	352,918	3	341,196	1
Total	$10,303,246	5%	$9,854,811	3%	$9,570,029	3%
Expenditures	$10,421,520	0%	$10,422,199	2%	$10,260,933	4%

(1) Includes revenues and expenditures for the General Fund, the Major Special Revenue Funds (Education Fund, which includes all the activity of the Uniform School Fund and Transportation Fund) and the Major Capital Project Fund (Transportation Investment Fund).

(Source: Division of Finance and the 2012 CAFR.)

Recent Developments

Major Funds. Most government services of the State are paid through one of its major governmental funds. In Fiscal Year 2011, the State's major governmental funds were the General Fund, Education Fund, Transportation Fund, and Transportation Investment Fund.

Spending and Debt Limitations. The State has statutory appropriation and debt limits. The appropriations limit adjusts annually pursuant to a statutory formula based on population and inflation. The definition of appropriations includes only appropriations from unrestricted General Fund and Education Fund sources. Spending for public education in addition to spending for transportation is exempt from the limitation. For Fiscal Year 2012, the State is approximately $780.6 million below the statutory appropriation limit, and for Fiscal Year 2013 is expected to be approximately $746.9 million below the limit. The statutory debt limit is 45% of the maximum allowable appropriation limit. See "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority" above.

Budget Management. There was a General Fund surplus of $609,000 and an Education Fund surplus of $59.6 million at the end of the Fiscal Year 2011. The General Fund and Education Fund ended Fiscal Year 2012 with surpluses of approximately $11.3 million and $35 million, respectively after any mandatory transfers.

Budget Reserve Accounts. The State maintains a General Fund Budget Reserve Account and an Education Fund Budget Reserve Account. State law requires that 25% of any General Fund revenue surplus be deposited in the General Fund Budget Reserve Account not to exceed 8% of the General Fund Appropriations for the Fiscal Year and 25% any Education Fund revenue surplus be deposited in the Education

Fund Budget Reserve Account not to exceed 9% of the Education Fund Appropriations for the Fiscal Year, 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 statutory limit of 8% for the General Fund and 9% for the Education Fund.

As of the close of Fiscal Year 2012, and after mandatory year end surplus transfers, the balance in the General Fund Budget Reserve Account will be $133 million and the balance in the Education Fund Budget Reserve Account will be $144.4 million.

2012 General Session. Before the 2012 General Session, the State was facing a structural imbalance of $52 million. A structural imbalance occurs when ongoing programs are funded with one–time revenue. Through revenue growth, the structural imbalance was reduced to zero. During the 2012 4th Special Session, a $25 million structural imbalance was created due to a technical error. It is anticipated that this structural imbalance will be reduced to zero during the 2013 General Session.

Public Education. In Fiscal Year 2013, the weighted pupil unit value (used in school funding) was increased to $2,842 per student to fund an estimated student enrollment of 600,244 including an expected 12,479 new students.

Capital Expenditures. During the 2012 General Session, the Legislature appropriated $22 million one–time transfer (from the Education Fund) for infrastructure for the University of Utah. An additional $162.2 million in non–state funds was authorized for new buildings for higher education.

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 2012. For the complete discussion see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Management's Discussion and Analysis" (page 16).

Five–Year Financial Summaries

The following summaries were extracted from the State's audited financial statements for Fiscal Years 2008 through 2012. 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 10–year financial history of various State funds see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section" at the indicated pages as set forth below.

(i) Schedule A–3, Fund Balances–Governmental Funds (page 214); and

(ii) Schedule A–4, Changes in Fund Balances–Governmental Funds (page 216);

State of Utah

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

(This summary is unaudited)

	As of June 30 (in thousands)				
	2012	2011	2010	2009	2008
Assets:					
Cash and cash equivalents	$ 1,305,491	$ 1,089,211	$ 819,821	$ 1,052,272	$ 1,540,923
Investments	933,075	1,232,088	1,351,954	1,070,235	950,549
Receivables:					
Accrued taxes, net	855,641	748,111	686,101	753,290	833,731
Accounts, net	751,799	694,257	712,829	734,385	571,498
Capital lease payments, net	102,540	–	–	–	–
Notes / mortgages, net	13,466	8,183	10,247	11,073	10,078
Accrued interest	56	61	97	55	80
Interfund loans receivable	47,998	38,358	29,726	34,933	39,005
Due from component units	45,354	39,028	23,837	28,829	35,802
Due from other funds	29,376	33,252	34,985	61,138	50,038
Prepaid items	23,450	–	–	–	–
Inventories	12,245	11,061	12,057	13,324	11,899
Other assets	–	30	48	21	–
Total assets	$ 4,120,491	$ 3,893,640	$ 3,681,702	$ 3,759,555	$ 4,043,603
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 977,816	$ 937,645	$ 812,154	$ 812,554	$ 768,618
Deferred revenue	498,478	404,386	351,675	451,121	433,196
Due to other funds	61,491	74,888	76,863	83,512	71,019
Due to component units	790	9,246	7,884	3,427	19
Total liabilities	1,538,575	1,426,165	1,248,576	1,350,614	1,272,852
Fund balances (2):					
Nonspendable	49,232	21,195	14,918	–	–
Restricted	1,128,775	1,223,114	1,368,947	–	–
Committed	1,121,470	835,818	718,608	–	–
Assigned	271,097	386,739	315,769	–	–
Unassigned	11,342	609	14,884	–	–
Reserved designated	–	–	–	1,282,127	1,323,820
Unreserved designated	–	–	–	880,157	1,134,438
Unreserved undesignated	–	–	–	246,657	312,493
Total fund balances	2,581,916	2,467,475	2,433,126	2,408,941	2,770,751
Total liabilities and fund balances	$ 4,120,491	$ 3,893,640	$ 3,681,702	$ 3,759,555	$ 4,043,603

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

(2) Beginning Fiscal Year 2010, the fund balance categories were reclassified as a result of implementing GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 clarifies fund balance categories and classifications. The new hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: *nonspendable, restricted, committed, assigned and unassigned.* Fund balances have not been restated for prior years.

(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)				
	2012	2011	2010	2009	2008
Revenues:					
Taxes:					
Sales and use tax (1)	$ 1,591,614	$ 1,624,243	$ 1,416,447	$ 1,487,652	$ 1,710,564
Other taxes	355,129	342,424	275,952	280,934	283,852
Total taxes	1,946,743	1,966,667	1,692,399	1,768,586	1,994,416
Other revenues:					
Federal contracts and grants	2,548,200	2,638,508	2,642,157	2,272,215	1,892,116
Charges for services	394,040	331,045	297,494	293,753	299,819
Federal mineral lease	183,739	135,979	129,377	172,642	134,404
Licenses, permits and fees	28,415	35,616	34,540	23,018	20,633
Investment income	8,784	8,367	6,704	29,993	75,647
Miscellaneous and other	209,312	188,545	206,666	202,666	158,883
Total revenues	5,319,233	5,304,727	5,009,337	4,762,873	4,575,918
Expenditures:					
Current:					
Health and environmental quality	2,140,696	2,004,434	1,867,646	1,806,126	1,643,269
Employment and family services	705,715	703,449	673,060	519,282	432,032
Higher education–colleges and universities	698,676	705,156	716,043	746,846	773,107
Human services and Juvenile Justice services	641,984	643,804	665,601	696,787	674,389
General government	326,830	290,686	288,464	283,138	286,274
Corrections	241,943	235,662	232,235	252,886	247,376
Public safety	222,087	200,821	194,314	209,961	191,483
Natural resources	152,007	187,344	158,939	173,138	171,738
Community and culture	137,711	151,388	170,898	135,062	127,225
Courts	127,066	128,676	136,373	127,442	128,148
Business, labor, and agriculture	87,842	84,474	86,984	92,430	87,601
Higher education–state administration	49,359	48,836	52,084	60,224	64,587
Total expenditures	5,531,916	5,384,730	5,242,641	5,103,322	4,827,229
Excess revenues over (under) expenditures	(212,683)	(80,003)	(233,304)	(340,449)	(251,311)
Other financing sources (uses):					
Transfers in	470,328	423,678	397,162	587,138	908,222
Transfers out	(220,696)	(290,982)	(156,098)	(491,877)	(873,826)
Sale of capital assets	10	9	–	11,001	80
Capital leases acquisition	–	–	11,122	2,010	2,131
Total other financing sources (uses)	249,642	132,705	252,186	108,272	36,607
Net change in fund balances	36,959	52,702	18,882	(232,177)	(214,704)
Beginning fund balance	700,346	647,644	632,691	864,868	1,079,572
Adjustments to beginning fund balance (2)	–	–	(3,929)	–	–
Beginning fund balance as adjusted	700,346	647,644	628,762	864,868	1,079,572
Ending fund balances	$ 737,305	$ 700,346	$ 647,644	$ 632,691	$ 864,868

(1) The large decrease in Fiscal Year 2008 was in part 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 Fund) as directed by the 2007 Legislature.

(2) The governmental fund types used by the State were evaluated based on the provisions of GASB 54 implemented in Fiscal Year 2010. Several funds reported as part of Miscellaneous Special Revenue Funds (nonmajor governmental funds) were determined to not meet the new fund type classification for special revenue funds. As a result, the funds were statutorily changed to be sub-accounts within the General Fund as directed by the 2009 Legislature. Therefore, a reclassification of $3.264 million was made to reduce the beginning fund balance of Miscellaneous Special Revenue Funds (nonmajor governmental funds) and increase beginning fund balance of the General Fund. Additionally, as a result of legislative action, a reclassification of $7.193 million was made to reduce the beginning fund balance related to oil, gas and mining severance taxes previously reported as a part of the General Fund and increase the beginning fund balance of the State Endowment Fund (nonmajor governmental funds).

(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 and Capital Projects Funds (1)

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2012	2011	2010	2009	2008
Revenues:					
Taxes:					
Individual income tax	$ 2,518,373	$ 2,332,562	$ 2,124,173	$ 2,340,400	$ 2,560,394
Motor and special fuels tax	353,299	352,918	341,196	337,529	357,664
Sales and use tax (2)	338,511	183,969	313,157	269,831	320,675
Corporate tax	285,541	230,888	266,961	249,177	410,586
Other taxes	47,592	46,830	45,640	41,833	41,661
Total taxes	3,543,316	3,147,167	3,091,127	3,238,770	3,690,980
Other revenues:					
Federal contracts and grants	979,796	962,500	1,058,460	920,599	677,931
Licenses, permits and fees	155,215	153,382	145,407	105,194	101,249
Charges for services	87,976	85,727	83,423	71,489	70,715
Investment income	35,064	33,477	33,323	43,451	49,281
Federal aeronautics	22,883	51,003	39,752	34,141	68,193
Miscellaneous and other	159,763	116,828	109,200	135,306	70,641
Total other revenues	1,440,697	1,402,917	1,469,565	1,310,180	1,038,010
Total revenues	4,984,013	4,550,084	4,560,692	4,548,950	4,728,990
Expenditures:					
Current:					
Public education	2,999,350	3,059,201	3,002,231	3,034,678	2,960,523
Transportation	1,086,479	997,695	1,244,707	1,283,221	1,098,986
Capital outlay (3)	803,775	980,573	771,354	411,135	372,467
Total expenditures	4,889,604	5,037,469	5,018,292	4,729,034	4,431,976
Excess revenues over (under) expenditures	94,409	(487,385)	(457,600)	(180,084)	297,014
Other financing sources (uses):					
General obligation bonds issued	563,060	955,260	855,390	394,360	68,995
Transfers in (4)	156,756	199,775	201,685	2,549,946	3,072,875
Premium on bonds issued	83,340	36,740	49,510	33,557	1,088
Sale of capital assets	12,276	14,607	8,048	6,157	8,058
Transfers out (4)	(758,158)	(733,084)	(700,067)	(2,919,863)	(3,625,959)
Total other financing sources (uses)	57,274	473,298	414,566	64,157	(474,943)
Net changes in fund balances	151,683	(14,087)	(43,034)	(115,927)	(177,929)
Beginning fund balance	1,324,244	1,338,331	1,381,365	1,497,292	1,675,221
Ending fund balances	$ 1,475,927	$ 1,324,244	$ 1,338,331	$ 1,381,365	$ 1,497,292

(1) The major special revenue funds include the Education Fund (which includes all the activity of the Uniform School Fund–previously a major special revenue fund–to be reported within the Education Fund) and Transportation Fund. The major capital project fund is the Transportation Investment Fund (in Fiscal Year 2012 the Transportation Investment Fund was reclassified as a capital projects fund).

(2) Beginning in Fiscal Year 2007, 8.3% of general sales and use tax collections (approximately $150 million) is annually being transferred from the General Fund into the Transportation Investment Fund (a Major Special Revenue Fund) as directed by the 2006 Legislature. The 8.3% was reduced to 1.93% for Fiscal Year 2011. Additionally in Fiscal Year 2008, $90 million of general sales and use tax collections was 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) In Fiscal Year 2012 the Transportation Investment Fund was reclassified as a capital projects fund. Expenditures relating to this fund have been moved from Transportation expenditures to Capital Outlay for all Fiscal Years.

(4) The governmental fund types used by the State were evaluated based on the provisions of GASB 54 implemented in Fiscal Year 2010. In defining fund type classifications, GASB 54 clarified that specific revenue sources should be recognized in the special revenue fund where these revenues will be expended. In order to comply with this statement, legislation was passed that requires all activity of the Uniform School Fund (previously a major special revenue fund) be reported within the Education Fund (a Major Revenue Fund) as directed by the 2009 Legislature. As a result of this change, the transfers between the Uniform School Fund and the Education Fund were eliminated.

(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 2012 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 and has not done so since 1974. *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 shortfall.*

If the State were to levy an ad valorem property tax, it must do so within the time frame required by law. The State Tax Commission must assess all centrally–assessed property ("centrally–assessed property") by May 1 of each year. County assessors must assess all other taxable property ("locally–assessed property") before May 22 of each year. The State Tax Commission apportions the value of centrally–assessed property to various taxing entities within each county and reports such values to county auditors before June 8.

On or before July 22 of each year, the county auditors must mail to all owners of real estate shown on their assessment rolls notice of, among other things, the value of the property, itemized tax information for all taxing entities and the date their respective county boards of equalization will meet to hear complaints. Taxpayers owning property assessed by a county assessor may file an application within statutorily defined time limits based on the nature of the contest with the appropriate county board of equalization for the purpose of contesting the assessed valuation of their property. The county board of equalization must render a decision on each appeal in the time frame prescribed by the Property Tax Act. Under certain circumstances, the county board of equalization must hold a hearing regarding the application, at which the taxpayer has the burden of proving that the property sustained a decrease in fair market value. Decisions of the county board of equalization may be appealed to the State Tax Commission, which must decide all appeals relating to real property by March 1 of the following year. Owners of centrally–assessed property or any county with a showing of reasonable cause, may, on or before the later of June 1 or a day within 30 days of the date the notice of assessment is mailed by the State Tax Commission, apply to the State Tax Commission for a hearing to appeal the assessment of centrally–assessed property. The State Tax Commission must render a written decision within 120 days after the hearing is completed and all post–hearing briefs are submitted. The county auditor makes a record of all changes, corrections and orders, and delivers before November 1 the corrected assessment rolls to the county treasurers. By November 1, each county treasurer furnishes each taxpayer a notice containing the kind and value of the property assessed to the taxpayer, the street address of the property, where applicable, the amount of the tax levied on the property, and the date and year the property is subject to a detailed review.

Taxes are due November 30 (or if November 30 is a Saturday, Sunday or holiday, the next business day). Each county treasurer is responsible for collecting all taxes levied on real property within that county. There are no prior claims to such taxes. As taxes are collected, each county treasurer must pay to the State and each taxing entity within the county its proportionate share of the taxes, on or before the tenth day of each month. Delinquent taxes are subject to a penalty of 2.5% of the amount of the taxes or $10 whichever is greater. Unless the delinquent taxes and penalty are paid before January 31 of the following year, the amount of delinquent taxes and penalty bears interest at the federal funds rate target established by the Federal Open Market Committee plus 6%, from the January 1 following the delinquency date until paid (provided that said interest may not be less than 7% or more than 10%). If delinquent taxes have not been paid by March 15 following the lapse of four years from the delinquency date, the affected county advertises and sells the property at a final tax sale held in May or June of the fifth year after assessment.

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 following table reflects the effect of the current 45% reduction from Fair Market Value for assessment of ad valorem property tax. The table on the following page also shows 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
2012 (3)	$191,694,668,000	0.6%	$265,053,506,000	0.5%
2011 (3)	190,491,459,297	(1.8)	263,825,160,095	(2.1)
2010	193,934,125,410	(3.2)	269,496,519,718	(3.6)
2009	200,432,557,803	(5.4)	279,470,018,301	(6.4)
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

(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.)

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, 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.

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Historical Summaries Of Taxable Values Of Property

	Calendar Year											
	2011		2010		2009		2008		2007		2006	
Set by State Tax Commission (Centrally Assessed)	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total
Natural resources……	$ 10,349,540,590	5.4 %	$ 10,141,168,789	5.2 %	$ 7,979,377,781	4.0 %	$ 8,601,102,256	4.1 %	$ 6,858,057,725	3.6 %	$ 6,219,779,718	4.0 %
Utilities……	12,143,461,674	6.4	10,905,488,943	5.6	10,141,150,495	5.1	10,427,402,597	4.9	9,943,565,300	5.3	9,552,461,539	6.2
Total centrally assessed…..	22,493,002,264	11.8	21,046,657,732	10.9	18,120,528,276	9.0	19,028,504,853	9.0	16,801,623,025	8.9	15,772,241,257	10.2
Set by County Assessor (Locally Assessed)												
Real property:												
Primary residential……	89,450,484,759	47.0	92,165,056,015	47.5	96,392,005,655	48.1	105,930,854,172	50.0	98,069,970,843	51.9	78,264,051,562	50.6
Commercial……..	41,904,550,351	22.0	42,111,973,936	21.7	42,092,546,088	21.0	43,621,013,421	20.6	38,267,427,307	20.2	32,588,392,214	21.1
Other real……	25,070,131,841	13.2	26,774,244,279	13.8	30,741,370,840	15.3	31,011,606,439	14.6	25,974,054,552	13.7	19,383,478,151	12.5
Total real property……	156,425,166,951	82.1	161,051,274,230	83.0	169,225,922,583	84.4	180,563,474,032	85.2	162,311,452,702	85.8	130,235,921,927	84.2
Personal property:												
Total personal property……	11,573,290,082	6.1	11,836,193,448	6.1	13,086,106,944	6.5	12,313,191,626	5.8	9,974,613,883	5.3	8,655,085,804	5.6
Total locally assessed…….	167,998,457,033	88.2	172,887,467,678	89.1	182,312,029,527	91.0	192,876,665,658	91.0	172,286,066,585	91.1	138,891,007,731	89.8
Total taxable value……	$ 190,491,459,297	100.0 %	$ 193,934,125,410	100.0 %	$ 200,432,557,803	100.0 %	$ 211,905,170,511	100.0 %	$ 189,087,689,610	100.0 %	$ 154,663,248,988	100.0 %

(Source: Property Tax Division, State Tax Commission (rounding errors may be present in percentage caculations).

Budgetary Procedures

Budgetary Procedures Act. The Budgetary Procedures Act, Title 63J, Chapter 1, Utah Code (the "Budget Act") establishes the process whereby the Governor's budget is prepared and prescribes the information to be included. The Budget Act was modified during the 2011 General Session.

The Governor is required to submit a budget to the Legislature each year, including a plan of proposed changes to appropriations and estimated revenue for the next fiscal year.

The total appropriations requested for expenditures authorized by the budget must not exceed the estimated revenue from taxes, fees and all other sources for the next 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 it was 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 all balances to the proper fund or account.

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, not later than May 15, a budget (work program) for the next fiscal year that does not exceed legislative appropriations or other estimated funding.

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 and promulgated by the Governmental Accounting Standards Board. The State reports the following major governmental funds: the General Fund, the Education 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—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements—Note 1. Summary of Significant Accounting Policies" (page 63).

State Tax System

The State's tax revenues are derived primarily from sales and use taxes, individual income taxes, motor fuel taxes, corporate franchise (business income) taxes, and 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.

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 and collect property taxes.

Individual Income Taxes. The State is one of 43 states that impose an individual income tax. The State's current single rate income tax system was fully implemented in the 2008 tax year. Under the system, all taxpayers' income is subject to a single 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.

For additional information regarding income information for Calendar Years 2002 through 2011 and Calendar Years 2001 and 2010 see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule B–1, Revenue Base" (page 218); "–Schedule B–3, Revenue Payers–Personal Income Tax" (page 221) and "–Schedule B–4, Personal Income Tax Rates" (page 222).

Business Taxes. The State imposes a tax on corporate net taxable income apportioned to the State at a rate of 5%, subject to exceptions and credits with a minimum tax of $100.

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

The State requires its largest sales taxpayers (with annual liabilities of more than $50,000) to pay on a monthly basis. All others remit the sales tax collected on a quarterly 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.

For additional information regarding sales tax information for Calendar Years 2002 through 2011 and Calendar Years 2002 and 2011 see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule B–1, Revenue Base" (page 218) and "–Schedule B–2, Revenue Payers by Industry–Taxable Sales, Services and Use Tax Purchases" (page 220).

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 workers' 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 excise taxes on insurance premiums, severance taxes, a cigarette and tobacco tax, a wine and liquor tax, an inheritance tax, an environmental sur-

charge, 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 2011 and 2012 tax collections, see "APPENDIX C—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH–Tax Collections."

State Revenues

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

	Fiscal Year ($ In Thousands)									
	2012	% (1)	2011	% (1)	2010	% (1)	2009	% (1)	2008	% (1)
Taxes	$ 5,505,992	52%	$ 5,125,627	52%	$4,794,495	50%	$5,043,043	53%	$5,693,425	60%
Federal contracts and grants	3,561,512	34	3,626,354	36	3,713,771	38	3,207,110	34	2,574,585	27
All other misc. revenues	1,420,925	14	1,248,819	12	1,183,008	12	1,181,846	13	1,227,345	13
Total all funds	$10,488,429	100%	$10,000,800	100%	$9,691,274	100%	$9,431,999	100%	$9,495,355	100%

(1) Percentage of total Governmental Fund Revenue.

(Source: Division of Finance.)

Revenue Summary. For Fiscal Year 2012, General Fund revenues from all sources totaled approximately $5.3 billion. Of this amount, 48% came from federal contracts and grants; 30% came from sales taxes; 8% came from federal mineral leases, investment income and miscellaneous and other revenues; 8% came from charges for services and licenses, permits and fees; and 7% came from other tax sources.

In the Education Fund for Fiscal Year 2012, revenues from all sources totaled approximately $3.4 billion. Of this amount, 73% came from individual income taxes; 15% came from federal contracts and grants; 8% came from corporate franchise taxes; 1% came from charges for services, licenses, permits and fees, and miscellaneous and other revenue, 1% came from investment income; and 1% came from other tax sources.

In the Transportation Fund for Fiscal Year 2012, revenues from all sources totaled approximately $1.1 billion. Of this amount, 42% came from federal contracts and grants, and aeronautics; 31% came from motor and special fuel taxes; 15% came from charges for services and licenses, permits, and fees; 7% came from other miscellaneous taxes and fees; and 6% came from sales and use taxes.

In the Transportation Investment Fund for Fiscal Year 2012, revenues from all sources totaled approximately $411 million. Of this amount, 66% came from sales tax revenue; 33% came from motor vehicle registration fees; and 1% came from investment income.

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

Revenues by Source—All Governmental Fund Types (1)

	Fiscal Year (In Thousands)				
	2012	2011	2010	2009	2008
Taxes:					
Individual income tax	$ 2,518,373	$ 2,332,562	$2,124,173	$2,340,400	$2,560,394
Sales and use tax	1,934,035	1,812,011	1,733,412	1,761,224	2,031,239
Other taxes	414,744	397,248	328,753	354,713	333,542
Motor and special fuel tax	353,299	352,918	341,196	337,529	357,664
Corporate tax	285,541	230,888	266,961	249,177	410,586
Total taxes	5,505,992	5,125,627	4,794,495	5,043,043	5,693,425
Other revenues:					
Federal contracts and grants	3,561,512	3,626,354	3,713,771	3,207,110	2,574,585
Charges for services	555,787	466,861	402,222	386,516	392,345
Miscellaneous and other	393,010	332,722	356,004	382,614	373,047
Federal mineral lease	183,739	135,979	129,377	172,642	134,404
Licenses, permits and fees	183,630	188,998	179,947	128,212	121,882
Investment income	47,469	54,719	47,047	68,275	124,590
Intergovernmental	34,407	18,537	28,659	9,446	12,884
Federal aeronautics	22,883	51,003	39,752	34,141	68,193
Total other revenues	4,982,437	4,875,173	4,896,779	4,388,956	3,801,930
Total revenues	$10,488,429	$10,000,800	$9,691,274	$9,431,999	$9,495,355

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

(Sources: Division of Finance and the 2012 CAFR.)

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Expenditures by Function—All Governmental Fund Types (1)

Function	Fiscal Year (In Thousands) 2012	2011	2010	2009	2008
Public education	$ 2,999,706	$ 3,059,351	$ 3,002,318	$ 3,035,519	$2,960,873
Health and environmental quality	2,144,101	2,008,356	1,873,264	1,812,488	1,648,841
Transportation	1,087,332	1,978,323	2,016,427	1,694,811	1,472,208
Capital outlay (2)	973,206	255,540	235,499	196,204	193,733
Higher education (colleges and universities)	721,074	718,026	734,440	782,650	793,283
Employment and family services	706,181	703,786	673,329	519,741	432,955
Human/juvenile justice services	645,418	646,411	667,192	701,099	677,234
Debt service	434,347	366,404	302,917	245,288	333,175
General government	354,486	316,440	313,981	325,076	319,389
Corrections	245,829	238,090	235,411	255,448	251,216
Public safety	239,453	207,426	199,731	213,038	196,008
Community and culture	155,575	160,338	178,258	140,453	132,413
Natural resources	153,698	189,430	161,640	178,306	174,120
Courts	127,066	128,676	136,373	129,125	131,261
Business, labor and agriculture	99,689	93,149	96,579	101,966	96,072
Higher education (State Adm.)	49,359	48,836	52,084	60,224	64,587
Total expenditures	$11,136,520	$11,118,582	$10,879,443	$10,391,436	$9,877,368

(1) Includes all governmental fund types, except Trust Lands.
(2) In Fiscal Year 2012 the Transportation Investment Fund was reclassified as a capital projects fund. Expenditures relating to this fund have been moved from Transportation expenditures to Capital Outlay for all Fiscal Years.

(Sources: Division of Finance and the 2012 CAFR.)

Summary of Changes in Fund Balance

All Governmental Fund Types (1)

	Fiscal Year (In Thousands) 2012	2011	2010	2009	2008
Revenues	$10,488,429	$10,000,800	$ 9,691,274	$9,431,999	$9,495,355
% change over previous year	4.9%	3.2%	2.7%	(0.7)%	1.4%
Expenditures	11,136,520	11,118,582	10,879,443	10,391,436	9,877,368
% change over previous year	0.2%	2.2%	4.7%	5.2%	12.6%
Net other financing sources (uses) (2)	762,532	1,152,131	1,212,354	597,627	114,865
Net change in fund balance	$ 114,441	$ 34,349	$ 24,185	$ (361,810)	$ (267,148

(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 and net fund transfers. In addition, beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2012 CAFR.)

Fund Balances—All Governmental Fund Types (1)

Fund	As of June 30 (In Thousands) 2012	2011	2010	2009	2008
General	$ 737,305	$ 700,346	$ 647,644	$ 632,691	$ 864,868
Special Revenue:					
Education (2) (3)	629,696	500,434	523,104	517,677	413,998
Transportation	221,442	235,408	228,677	675,172	510,626
State Endowment (4)	123,539	120,959	106,727	79,480	45,834
Rural Development	32,180	40,149	39,420	38,203	35,431
Environmental Reclamation	25,011	21,592	22,343	27,656	29,442
Miscellaneous Special Rev.	18,906	11,426	10,262	13,278	12,446
Crime Victim Reparation	4,736	5,381	5,210	4,495	6,891
Consumer Education	4,428	3,327	3,710	2,817	4,139
State Capitol	2,269	1,908	1,449	1,282	125
Universal Telephone	1,265	931	4,460	8,008	8,351
Uniform School (3)	–	–	–	197,168	372,796
Capital Projects:					
Transportation Investment (5)	624,789	588,402	586,550	(8,652)	199,872
General government	139,690	200,810	162,330	209,967	237,256
State Building Ownership	10,511	24,204	70,848	(1,281)	2,106
Debt Service	6,149	12,198	20,392	10,980	26,570
Total	$2,584,423	$2,467,475	$2,433,126	$2,408,941	$2,770,751

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

(2) Effective Fiscal Year 2007, the Legislature created the Education Fund. Individual income and corporate franchise 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) GASB 54 clarified that specific revenue sources should be recognized in the special revenue fund where these revenues will be expended. In order to comply with this statement, legislation was passed that requires all activity of the Uniform School Fund (previously a major special revenue fund) be reported within the Education Fund (major special revenue fund). As a result of this change, the ending fund balance in the Uniform School Fund ($197.168 million) in Fiscal Year 2009 was combined and reported as part of the beginning fund balance of the Education Fund in Fiscal Year 2010.

(4) Prior to Fiscal Year 2009, the State Endowment Fund was known as the Tobacco Endowment fund. The name change occurred to more clearly classify the type of monies included within the fund. This fund accounts for a portion of proceeds of the State's settlement with major tobacco manufacturers, severance tax revenue in excess of statutory base amounts, and money or other assets given or received in this fund under the provisions of the Utah Code.

(5) In Fiscal Year 2012 the Transportation Investment Fund was reclassified as a capital projects fund. Expenditures relating to this fund have been moved from Transportation expenditures to Capital Outlay for all Fiscal Years.

(Sources: Division of Finance and the 2012 CAFR.)

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General Fund—Revenues, Expenditures and Fund Balances

	Fiscal Year (In Thousands)				
	2012	2011	2010	2009	2008
Revenues:					
Federal contracts and grants	$2,548,200	$2,638,508	$2,642,157	$2,272,215	$1,892,116
Sales and use tax	1,591,614	1,624,243	1,416,447	1,487,652	1,710,564
Charges for services	394,040	331,045	297,494	293,753	299,819
Other taxes	355,129	342,424	275,952	280,934	283,852
Miscellaneous and other	209,312	188,545	206,666	202,666	158,883
Federal mineral lease	183,739	135,979	129,377	172,642	134,404
Licenses, permits and fees	28,415	35,616	34,540	23,018	20,633
Investment income	8,784	8,367	6,704	29,993	75,647
Total revenues	$5,319,233	$5,304,727	$5,009,337	$4,762,873	$4,575,918
% change over previous year	0.3%	5.9%	5.2%	4.1%	(1.6)%
Expenditures	$5,531,916	$5,384,730	$5,242,641	$5,103,322	$4,827,229
% change over previous year	2.7%	2.7%	2.7%	5.7%	7.3%
Fund Balance: (1) (2)					
Nonspendable	$ 37,649	$ 10,672	$ 3,272	$ –	$ –
Restricted	39,745	31,523	35,171	–	–
Committed	489,487	445,540	371,354	–	–
Assigned	159,082	212,002	222,963	–	–
Unassigned	11,342	609	14,884	–	–
Unreserved, designated	–	–	–	327,467	394,068
Reserved	–	–	–	305,224	470,800
Total fund balance	$737,305	$700,346	$647,644	$632,691	$864,868
% change over previous year	5.3%	8.1%	2.4%	(26.8)%	(19.9)%

(1) The fund balance is derived from revenues, expenditures, transfers and other financing sources which are not presented in this table and from the fund balance from the prior Fiscal Year.

(2) Beginning Fiscal Year 2010, the fund balance categories were reclassified as a result of implementing GASB 54. GASB 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: *nonspendable, restricted, committed, assigned and unassigned.* Fund balances have not been restated for prior years.

(Sources: Division of Finance and the 2012 CAFR.)

Capital Expenditure Authorizations

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

Capital Expenditure Authorizations

Fiscal Year (In Millions)				
2013	2012	2011	2010	2009
$874.3	$965.2	$1,557.5	$3,388.1 (1)	$1,538.2

(1) The large increase in Fiscal Year 2010 was from a new bond authorization of $2.2 billion for highway projects and $148 million for building projects.

(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—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Notes to the Financial Statements–Note 3. Deposits and Investments" (page 70) and "–Note 4. Investment Pool" (page 86).

State Employee Workforce And Public Retirement System

State Employee Workforce. The State is among the largest employers in the State employing 19,870 people (full–time equivalents) in Fiscal Year 2012. All full–time employees of the State are members of the Utah State Retirement System.

For a 10–year Fiscal Year history of the State's employment numbers see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule E–1 Full–time Equivalent State Employees by Function" (page 238).

Retirement System. *Pension Benefit Programs*. The State participates in various systems and plans provided by the Utah State Retirement Systems (the "Systems") comprised of the following pension trust funds:

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

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

(3) the Judges Retirement System and the Utah Governors and Legislators Retirement Plan, which are single employer service–employee retirement systems;

(4) the Tier 2 Public Employees Contributory Retirement System and the Tier 2 Public Safety and Firefighters System (for full–time employees hired after June 30, 2011), which are defined benefit, multiple–employer, cost sharing, public employee retirement systems; and

(5) five defined contribution plans comprised of the 401(k) Plan, 457 Plan, Roth and Traditional IRA Plans, and Health Reimbursement Arrangement.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code. The Systems' defined benefit plans are amended statutorily by the Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems and Plans under the direction of a governing board, whose members are appointed by the Governor.

The purpose of the Systems and related Plans is to provide benefits for all eligible State, local government and most public education employees whose employers have elected to participate.

Systems Valuation. An actuarial valuation of the Systems is performed annually. An assumption experience study is performed at least every third year. The actuarial firm Gabriel, Roeder, Smith & Company ("GRS") completed the valuation as of January 1, 2011. The Systems' Board adopted the recommendations suggested by the actuary as part of its experience study. Included in the changes is a reduction in the actuarial assumed income rate from 7.75% to 7.5%. All numbers as of January 1, 2011 reflect the lower assumed rate.

The actuarial value of assets, is based on a five–year smoothed expected rate of return, wherein the excess or shortfall of investment income over or under the actuarial assumed income rate (currently 7.5%), is recognized over a five–year period. This is the value of assets used by the actuary in determining contribution rates for the Systems. The current funded ratios as of January 1, 2012 range from 73% to 96.1%.

At January 1, 2012, the date of the most recent actuarial valuation, the average funded ratio of the Systems was 79.5%. This was a decrease of 3.9% from the Systems' January 1, 2011, valuation average funded ratio of 82.7%. The funded ratio decrease for all components of the Systems was the result of lower than expected investment returns over the previous five years. At December 31, 2011, the Systems' underfunded actuarial accrued liability was $5.5 billion.

In 2009, two changes were made to the actuarial valuation. The first change was to increase the amortization period for amortizing the unfunded actuarial accrued liability from 20 years to 25 years. This funding period will be closed (i.e., the funding period will decrease by one year each year) until the funding period reaches 20 years, at which time the period will once again revert to an open 20 year amortization period. The second change was to widen the corridor used to determine the actuarial value of assets from 80%–120% to 75%–125% of market value. This change allows more of the 2008 investment losses to be smoothed into the actuarial value of assets over the next four years rather than being recognized in this valuation.

Investment Returns. The following table displays the investment returns for the previous 10 years Calendar Years.

	Total Investment Portfolio Fair Value	Smooth Expected Rate of Return (1)	Fair Value Rate of Return (2)	Actuarial Assumed Interest Rate (3)
2011	$20,796,000,000	1.34%	2.89%	7.50%
2010	21,134,000,000	2.87	13.73	7.75
2009	19,058,000,000	6.11	12.88	7.75
2008	17,565,000,000	(5.03)	(22.3)	7.75
2007	22,979,000,000	13.04	7.15	8.00
2006	21,861,000,000	11.10	14.77	8.00
2005	18,657,000,000	7.36	8.96	8.00
2004	16,937,000,000	5.32	13.24	8.00
2003	14,563,000,000	8.01	26.00	8.00
2002	11,745,000,000	(1.54)	(7.54)	8.00

(1) Smoothed Expected Rate of Return consists of investment income in excess or shortfall of currently expected 7.50% on fair value smoothed over a five–year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.
(2) Fair Value Rate of Return consists of cash income plus gains and losses due to changes in fair value, whether realized or unrealized (before deduction of investment fees). (For 2011, 2.71% net of fees.)
(3) Actuarial Assumed Interest Rate is the assumed rate of return on the fair value of assets, and is used in establishing retirement contribution rates and in determining current benefit reserve requirements.

(Source: 2011 Utah Retirement Systems Consolidated Annual Financial Report.)

Contributions and Funding Ratios. The State and all other participating employers in the Systems' have paid 100% of the Annual Required Contribution. For Calendar Year 2011 the required contribution for all participating employers was $792,241,000. Of this amount, $38,577,000 was paid by members and $753,664,000 was contributed by employers. Covered payroll totals $4.548 billion.

The schedule below summarizes the contribution rates in effect as of July 1, 2012.

Contribution rates as a percent of payroll

System	Member	Employer	Other
Noncontributory.....	0.00%	15.89–18.61%	0.00%
Contributory.....	6.00	11.80–14.12	0.00
Public Safety:			
Noncontributory	0.00	30.45–42.21	0.00
Contributory	10.5–12.29	19.08–27.95	0.00
Firefighters:			
Division A	15.05	2.66	11.84
Division B	16.71	2.08	11.84
Judges:			
Noncontributory	0.00	32.87	14.02
Governors/Legislators.....	0.00	$269,982	0.00

(Source: State Treasurer's Office.)

The employer contributes 10% to the Public Employees and 12% to the Public Safety and Firefighters defined benefit option under the Tier II plans. The plans have a normal cost of 8.41% for the Public Employees Noncontributory plan and 10.91% for the Public Safety and Firefighters plans. The difference between the contribution rate and the normal cost is placed in a 401(k) plan for the employee. In the event

the normal cost exceeds the employer contribution of 10% and 12% respectively, the employee must contribute the difference.

In addition, the employer must make a contribution to the unfunded actuarial accrued liability in the Tier I plan for each employee in the Tier II plan. That amount ranges from 5.49% to 8.25% for the Public Employee Contributory and Noncontributory plans, and from 9.49% to 22.25% for the Public Safety Contributory and Noncontributory plans.

Systems' actuary GRS projected that contribution rates for the Noncontributory System, the largest program in the Systems, will increase to 23.10% by 2015 and remain at that level for a period of time. The Legislature hired the actuary firm Cheiron to verify the calculations of GRS as the Legislature contemplated changes to the Systems benefit structure. Cheiron substantially agreed with the findings of GRS.

Preliminary contribution rates for Fiscal Year 2013 are in line with previous projections even with the change in assumptions.

The funding progress with funding ratios is shown in the following schedule.

($ In Billions)

	Actuarial Value of Assets	Accrued Actuarial Liability	Funding Ratios
2011	$21.1	$26.9	78%
2010	21.1	25.7	82
2009	20.8	24.3	86
2008	19.9	22.9	87
2007	20.3	21.3	95
2006	18.1	18.8	96
2005	16.4	17.6	93
2004	15.4	16.7	92
2003	14.7	15.5	95
2002	13.8	14.8	93

(Source: 2011 Utah Retirements Systems Consolidated Annual Financial Report.)

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

For a further discussion concerning the Utah State Retirement System see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements—Note 16. Pension Plans" (page 116).

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. 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 has in the past and currently plans to continue contributing amounts to the OPEB Plan sufficient to fully fund the annual required contribution ("ARC"), a rate actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The ARC of $37.594 million (from the December 31, 2010 actuarial valuation) is 6.4% of annual covered payroll. The actuarial accrued liability for benefits was $481.393 million, with an actuarial value of plan assets of $106.605 million, resulting in an unfunded actuarial accrued liability of $374.788 million. The State contributed $43.819 million in Fiscal Year 2011, the full amount of the ARC for that year. For Fiscal Year 2012 the State contributed $43.293 million (more than the current required ARC of $37.594 million). The appropriations for Fiscal Year 2013 are sufficient to fully fund the ARC.

The State also administers the Elected Officials' OPEB Plan, a single–employer defined benefit healthcare plan. This plan is administered through the Elected Official Post–Retirement Benefits Trust Fund that was established in March 2012 during the 2012 Legislative General Session. Only governors and legislators (elected officials) that retire after January 1, 1998, and have four or more years of service can elect to receive and apply for this benefit. The Legislature recently closed the plan; only elected officials that began service prior to January 1, 2012 qualify to receive OPEB medical benefits. In addition, only elected officials that began service prior to July 1, 2011 and retire under Chapter 19 elected officials retirement plan qualify to receive OPEB Medicare supplemental benefits. This OPEB plan has an unfunded actuarial accrued liability of $21.99 million (from the December 31, 2010 actuarial valuation). The amount of the ARC for Fiscal Year 2011 and 2012 was $2.188 million and $1.894 million respectively. The State contributed $1.793 million in Fiscal Year 2011 and $3.47 million in Fiscal Year 2012 to the Elected Officials OPEB Plan (more than the current required ARC of $1.894 million). The appropriations for Fiscal Year 2013 are sufficient to fully fund the ARC.

The State will obtain new actuarial valuations for both OPEB plans in Fiscal Year 2013 (the State's actuarial accrued liability is calculated biannually).

For additional discussion of the State's postemployment benefits see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements—Note 17. Other Postemployment Benefits" (page 122).

Risk Management And Insurance

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

The property self–insurance limits are currently $1 million per claim with an annual aggregate of $3.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with

private insurance companies. The total excess coverage is $1 billion. The State has aggregate coverage of $500 million for earthquake and $500 million for flood losses.

As of June 30, 2012, the Administrative Services Risk Management Fund contained approximately $44.7 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through Fiscal Year 2013. See "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements—Note 14. Litigation, Contingencies and Commitments" (page 113) and "—Note 18. Risk Management And Insurance" (page 124).

LEGAL MATTERS

Absence Of Litigation Concerning The 2012 Bonds

There is no litigation pending or threatened against the 2012 Bonds questioning or in any matter relating to or affecting the validity of the 2012 Bonds.

On the date of the execution and delivery of the 2012 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 2012 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 2012 Bonds or such other documents as may be required in connection with the issuance and sale of the 2012 Bonds, or to comply therewith or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2012 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2012 Bonds are issued, the legality of the purposes for which the 2012 Bonds are issued, or the validity of the 2012 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—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012—Notes to the Financial Statements—Note 14. Litigation, Contingencies, and Commitments" (page 113).

Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On 2012 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 2012 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

2012A Bonds. In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, interest on the 2012A 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 2012A 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 2012A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2012A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

The Internal Revenue Code of 1986, as amended, contains a number of requirements and restrictions which apply to the 2012A 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 2012A Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2012A 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 2012A Bonds.

The 2012A Bonds Original Issue Premium. All of the 2012A 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.

2012B Bonds. Interest on the 2012B Bonds is not excludable from gross income for federal income tax purposes.

Circular 230 Disclosure. The above discussion relating to the 2012B Bonds was written to support the promotion and marketing of the 2012B Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

State Of Utah Income Tax

Bond Counsel is also of the opinion that interest on the 2012 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 2012 Bonds.

General

The approving opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, concerning the validity of the 2012 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 2012 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 2012 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," and "—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 2012 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 2012 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 regarding this OFFICIAL STATEMENT will be passed on for the Authority and the State by Chapman and Cutler LLP.

MISCELLANEOUS

Bond Ratings

Moody's and S&P have rated the 2012 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 2012 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 2012 Bonds. The Authority and the State have not applied to Fitch for a rating on the 2012 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 2012 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 2012 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.

Escrow Verification

Grant Thornton LLP, Minneapolis, Minnesota, Certified Public Accountants, will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the obligations of the United States of America, together with other escrowed moneys to be placed in the 2012A Escrow Account and the 2012B Escrow Account, to pay, when due pursuant to prior redemption, the redemption price of, and interest on, the 2006 Refunded Bonds, the 2004B Refunded Bonds, the 2004B Taxable Refunded Bonds, and the 2003 Refunded Bonds, and the mathematical computations of the yield on the 2012A Bonds and the 2012B Bonds, and the yield on the government obligations purchased with a portion of the proceeds of the sale of the 2012A Bonds and the

2012B Bonds. Such verifications shall be based in part upon information supplied by the successful bidder(s).

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 2012 Bonds, timing of sale, tax–exempt and taxable bond market conditions, costs of issuance and other factors relating to the sale of the 2012 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 2012 Bonds.

Independent Auditor

The financial statements of the State as of June 30, 2012, and for the fiscal year then ended, are included as "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012" 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 2012 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 2012 Bonds, and subsequently, at the office of the Trustee in Denver, Colorado.

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012

The Comprehensive Annual Financial Report ("CAFR") of the State for Fiscal Year 2012 is contained herein. Copies of current and prior financial reports are available on the internet and upon request from the contact person as indicated under "INTRODUCTION—Contact Persons" above.

The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the 27th consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2011.

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 2013 must be completed under State law by December 31, 2013.

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STATE OF **UTAH**

Comprehensive Annual Financial Report

2012

For the Fiscal Year Ended June 30, **2012**

STATE OF **UTAH**

Although Utah is only the nation's thirteenth largest state by land area and thirty-fourth in population size, the State has the second fastest rate of economic growth. Utah has an ideal blend of economic dynamism and the nation's most astonishing landscapes. The result is a state showcased as "best" for business, careers, and quality of life.

State of Utah Accolades – Fiscal Year 2012

#1 Pro-Business State for 2012 | Pollina Corporate Real Estate (August 2012)

#1 "Best State For Business and Careers" | Forbes Magazine (November 2011 and 2010)

#1 "Best Business Climate" | Business Facilities (August 2011)

#1 "Expected Economic Recovery and Economic outlook" Five Years in a Row American Legislative Exchange Counci | ALEC (January 2012)

#1 "Volunteerism in America" Second Year in a Row | Corporation for National and Community Service (July 2011)

#2 "America's Top States for Business 2012" | CNBC (July 2012)

#2 "Job Growth" | U.S. Bureau of Labor Statistics (March 2012)

Top five for all four export metrics | U.S. Chamber of Commerce's "Enterprising States" report (June 2012)

2012

State Of Utah
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2012

CONSTITUTIONAL OFFICERS OF THE STATE OF UTAH

Gary R. Herbert ..... Governor
Greg Bell ..... Lt. Governor
Auston G. Johnson, CPA ..... State Auditor
Richard K. Ellis ..... State Treasurer
Mark L. Shurtleff ..... Attorney General
Michael G. Waddoups ..... President of the Senate
Rebecca D. Lockhart ..... Speaker of the House
Matthew B. Durrant ..... Chief Justice, Supreme Court

OTHER STATE OFFICIALS

Kimberly K. Hood ..... Executive Director, Department of Administrative Services
John C. Reidhead, CPA ..... Director, Division of Finance
Ron C. Bigelow, CPA ..... Director, Governor's Office of Planning and Budget
Jonathan C. Ball ..... Director, Office of the Legislative Fiscal Analyst
John M. Schaff, CIA ..... Auditor General, Office of the Legislative Auditor General
Michael E. Christensen ..... Director, Office of Legislative Research and General Counsel

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Special appreciation is given to all of the budget and accounting officers throughout the State whose extra time and effort made this report possible.

Department of Administrative Services

Department of Administrative Services: Division of Finance Accounting Standards and Financial Reporting Section

State of Utah
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

Table of Contents

INTRODUCTORY SECTION

	Page
Title page – Acknowledgments	1
Table of Contents	2
Letter of Transmittal	4
Certificate of Achievement for Excellence in Financial Reporting	10
State of Utah Organization Chart	11

FINANCIAL SECTION

Independent State Auditor's Report	14
Management's Discussion and Analysis	16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	31
Statement of Activities	32
Governmental Fund Financial Statements	
Balance Sheet	36
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	38
Statement of Revenues, Expenditures, and Changes in Fund Balances	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	42
Proprietary Fund Financial Statements	
Statement of Net Assets	44
Statement of Revenues, Expenses, and Changes in Fund Net Assets	46
Statement of Cash Flows	48
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	54
Statement of Changes in Fiduciary Net Assets	55
Component Unit Financial Statements	
Combining Statement of Net Assets	58
Combining Statement of Activities	60
Notes to the Financial Statements	62
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	128
Budgetary Comparison Schedule – Education Fund	129
Budgetary Comparison Schedule – Transportation Fund	130
Budgetary Comparison Schedule – Budget to GAAP Reconciliation	131
Notes to Required Supplementary Information – Budgetary Reporting	132
Information about the State's Other Postemployment Benefit Plan	133
Information about Infrastructure Assets Reported Using the Modified Approach	135
Supplementary Information – Combining Statements and Individual Fund Statements and Schedules	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet	140
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	144

Supplementary Information – Combining Statements and Individual Fund Statements and Schedules – Governmental Funds (continued)

Budgetary Compliance
Detail Schedule of Expenditures – Budget and Actual Comparison – General Fund 148
Detail Schedule of Expenditures – Budget and Actual Comparison – Education Fund, Transportation Fund, Transportation Investment Fund, and Debt Service Funds 160

Proprietary Funds
Nonmajor Enterprise Funds
Combining Statement of Net Assets 164
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets 166
Combining Statement of Cash Flows 168

Internal Service Funds
Combining Statement of Net Assets 174
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets 176
Combining Statement of Cash Flows 178

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Assets 184
Combining Statement of Changes in Fiduciary Net Assets 188
Private Purpose Trust Funds
Combining Statement of Fiduciary Net Assets 192
Combining Statement of Changes in Fiduciary Net Assets 194
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities 196
Combining Statement of Changes in Assets and Liabilities 197

Component Units
Nonmajor Component Units
Combining Statement of Net Assets 200
Combining Statement of Activities 202

STATISTICAL SECTION

Index to the Statistical Section 207
Schedule A–1 Net Assets by Component 208
Schedule A–2 Changes in Net Assets 210
Schedule A–3 Fund Balances — Governmental Funds 214
Schedule A–4 Changes in Fund Balances — Governmental Funds 216
Schedule B–1 Revenue Base 218
Schedule B–2 Revenue Payers by Industry — Taxable Sales, Services, and Use Tax Purchases 220
Schedule B–3 Revenue Payers — Personal Income Tax 221
Schedule B–4 Personal Income Tax Rates 222
Schedule C–1 Ratios of Outstanding Debt by Type 224
Schedule C–2 Other Long-Term Liabilities 226
Schedule C–3 Legal Debt Margin 228
Schedule C–4 Statutory Debt Limit 228
Schedule C–5 Pledged Revenue Bond Coverage 230
Schedule D–1 Demographic and Economic Indicators 231
Schedule D–2 Principal Employers 232
Schedule D–3 Composition of Labor Force 234
Schedule D–4 Public Education Student Enrollment (K–12) 236
Schedule D–5 Public Higher Education Enrollment 236
Schedule E–1 Full-Time Equivalent State Employees by Function 238
Schedule E–2 Operating Indicators by Function 240
Schedule E–3 Capital Asset Statistics by Function 242
Schedule F–1 Expenditures — Historical and Constant Dollars 244
Schedule F–2 Per Capita Expenditures — Historical and Constant Dollars 245

State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Department of Administrative Services

Kimberly K. Hood
Executive Director

Division of Finance

John C. Reidhead, CPA
Director

October 19, 2012

To the Citizens, Governor,
and Members of the Legislature
of the State of Utah:

It is our pleasure to present the 2012 Comprehensive Annual Financial Report of the State of Utah in accordance with Section 63A–3–204 of the *Utah Code*. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State's management. To the best of our knowledge and belief, the enclosed data accurately presents the State's financial position and results of operations in all material respects in accordance with generally accepted accounting principles (GAAP). We believe that all disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

Internal Control. The State's systems of internal control over assets recorded in the accounting system have been designed to provide reasonable, but not absolute, assurance of safeguarding assets against loss from unauthorized use or disposition and to ensure the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

Independent Auditors. In compliance with state statute, an annual financial audit of the "State Reporting Entity" is completed each year by the Office of the Utah State Auditor in conjunction with other independent audit firms. Their audits were conducted 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. The State Auditor's report and the unqualified opinion on the fair presentation of the Basic Financial Statements are included in the Financial Section of this report.

Single Audit. Federal regulations also require the State to undergo an annual "Single Audit" in conformance with the Federal Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget Circular A–133, *Audits of State and Local Governments and Non-Profit Organizations*. Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings and recommendations, summary of prior audit findings, and the State Auditor's report, is issued in a separate report.

Management's Discussion and Analysis (MD&A). The discussion and analysis beginning on page 16 provides an overview and analysis of the State's Basic Financial Statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Structure. As shown in the organizational chart on page 11, state government is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the *Constitution of Utah*, which can be amended only by a majority vote of the State's citizens, and in the *Utah Code*, which can be amended by the Legislature or by citizen initiatives. State government provides various services to over 2,856,000 citizens. Services include building and maintaining

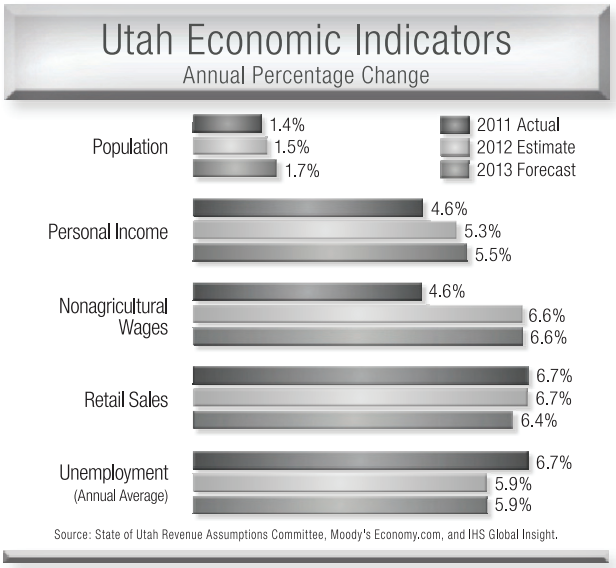
roads; providing public safety, health, and environmental protection services to protect the general welfare of the State's citizens; helping adults, children, and families through difficult times such as abuse, divorce, illness, death, and unemployment; fostering an attractive business climate to encourage economic growth; and protecting public lands and natural resources for conservation and recreational activities. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help those entities meet the specific needs of their constituents.

The State Reporting Entity. The State Reporting Entity includes the *primary government* and its *component units.* The *primary government* of the State of Utah includes all funds, departments, agencies, and other organizational units governed by the Legislature and/or the constitutional officers of the State. In addition to these *primary government* activities, this report includes information related to component units that are financially accountable to the State. Although such information is provided in this report, the MD&A and Basic Financial Statements focus on the primary government and its activities. Separately issued financial statements are available from the significant discretely presented component units and should be read to obtain a better understanding of their financial conditions. Additional information on all discretely presented component units can be found in the notes to the financial statements (see Note 1. A. on page 63).

Budgetary Process and Control. The *Constitution of Utah* requires that budgeted expenditures not exceed estimated revenues and other sources of funding, including beginning fund balances. Annually, the Governor is required to submit a balanced budget for the governmental funds with an annual appropriated budget (General, Education, Transportation, Transportation Investment and Debt Service Funds), by function (e.g., health), and activity (e.g., medical assistance) to the Legislature. The Legislature authorizes expenditures by line item in the annual *Appropriations Acts*. Line item is the legal level of budgetary control. The Acts also identify the sources of funding for budgeted expenditures. In the event actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the Legislature to address budget issues. Adjustments to the budget may also be made throughout the year for changes in departmental or fund revenues so that line items and funds will not end the fiscal year in a deficit position. For additional information on the budgetary process and control, see the notes to the Required Supplementary Information beginning on page 128.

INFORMATION USEFUL IN ASSESSING A GOVERNMENT'S ECONOMIC CONDITION

Local Economy. The economy in Utah continued to improve in 2011. In 2012, economic growth is expected to continue and accelerate as the improving labor market supports increased consumer spending.



Utah's unemployment rate was 6.7 percent in 2011 and is expected to decline to 5.9 percent in 2012 and 2013. In 2011, personal income and nonagricultural wages both increased by 4.6 percent. In 2012, personal income is expected to increase by 5.3 percent and nonagricultural wages are expected to increase by 6.6 percent. Taxable retail sales increased by 6.7 percent in 2011, and are expected to increase by the same rate in 2012. Total construction value was $3.8 billion in 2011, a 15 percent increase from the prior year. This increase reverses four consecutive years of decline for total construction value, but still far below the record high of $7.4 billion in 2006. In 2012, total construction value is expected to decrease slightly to $3.6 billion. Residential construction was $1.7 billion in 2011, unchanged from the prior year. Residential permitted value is expected to increase moderately to $2.2 billion in 2012, as growth in employment, household income, and the population increases demand. In 2012, Utah population is estimated at 2,856,000, which is an increase of 1.5 percent over the prior year. Utah had positive net migration of approximately 2,300 people in 2011 and is expected to grow by 5,000 people in 2012. Utah has had positive net migration for the past 22 years and this trend is expected to continue in the coming years.

Industries. Utah's nonagricultural employment growth is expected to increase by 3.3 percent in 2012, and by the same rate in 2013, which is close to the Utah average yearly rate of 3.1 percent (1950 through June 2012). The employment environment continues to improve as the economy continues to rebound from the national recession that began in late 2007. All but one industry experienced positive employment growth, led again by the professional and business category. The professional and business category provided 7,200 new jobs, which are primarily in the high-paying professional and technical industries. State government and higher education added 4,100 new jobs, primarily in higher education. The manufacturing industry, which drives growth in many other industries, added 3,600 new jobs. This was the second year of growth, following three years of contraction in manufacturing. Both local and federal government declined for the third consecutive year. The results for August 2011 to August 2012 are presented in the following table.

State of Utah
Jobs by Industry of Utah's Labor Force
(Expressed in Thousands)

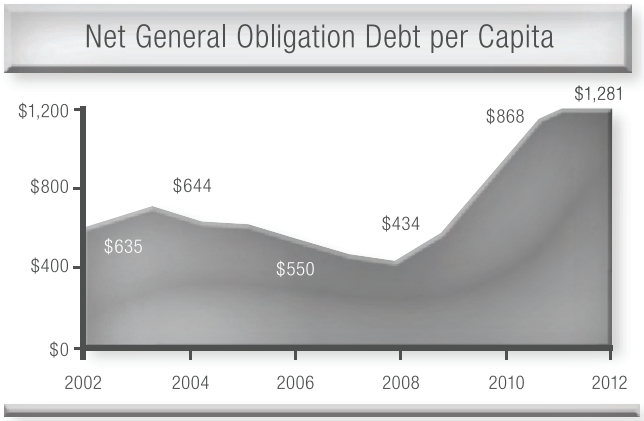
	Number of Jobs		Numerical Change	Percentage Change	Components of Labor Force
	2012 (est.)	2011	2011 to 2012	2011 to 2012	2012 (est.)
Trade, Transportation, and Utilities	237.2	236.0	1.2	0.5 %	19.2 %
Professional and Business	170.5	163.3	7.2	4.4 %	13.8 %
Education and Health Services	157.4	154.9	2.5	1.6 %	12.7 %
Government (Local/Federal)	142.4	144.3	(1.9)	(1.3)%	11.5 %
Manufacturing	119.1	115.5	3.6	3.1 %	9.7 %
Leisure and Hospitality	119.5	118.3	1.2	1.0 %	9.7 %
Construction	70.2	69.4	0.8	1.2 %	5.7 %
Financial Activities	72.7	70.4	2.3	3.3 %	5.9 %
Government (State/Higher Ed.)	66.0	61.9	4.1	6.6 %	5.3 %
Other Services	35.3	34.5	0.8	2.3 %	2.9 %
Information	31.6	29.9	1.7	5.7 %	2.6 %
Natural Resources and Mining	12.8	12.0	0.8	6.7 %	1.0 %
Total	**1,234.7**	**1,210.4**	**24.3**		**100.0 %**

Source: Utah Department of Workforce Services, August 2012 Jobs by Industry and Components of Labor Force

Outlook. The national economy is experiencing a slower-than-average recovery. As in prior recoveries, Utah has grown more rapidly than the nation due to its diverse state economy, which is attributable to: 1) a highly productive, well-educated workforce, 2) the strong presence of knowledge-based industries such as business, professional education, health, and financial services, 3) a business-friendly climate, and 4) an attractive quality of life. However, negative factors continue to weigh on the recovery, both nationally and locally. The major risk factors include the European sovereign debt crisis and concerns over the looming so-called "fiscal cliff" in the United States, which refers to tax increases and spending cuts that are set to expire on December 31, 2012, unless Congress acts. The local Utah economy is driven by these national and global factors. As these events settle and the outlook becomes more certain, growth is expected to accelerate both nationally and locally. Business hiring is expected to pick up, and the recovery will likely move toward a more typical expansion.

FINANCIAL PLANNING AND POLICIES

Debt Administration. As part of long-term financial planning, the State has used a combination of bonding and "Pay-As-You-Go" methods to meet the infrastructure needs of the State, as shown in the graph. In fiscal years 2002 through 2003, and 2008 through 2012, under budget constraints coupled with a low interest rate environment, the State elected to increase its debt by issuing bonds for highway and/or building projects that otherwise would have been funded from current resources. In fiscal years 2004 through 2007 the State bonded less and primarily funded projects with the "Pay-As-You-Go" method using one-time and ongoing money. In early fiscal year 2012, the State issued $609.92 million in general obligation bonds for capital facilities and highway construction projects. At June 30, 2012, the State's general obligation



debt per capita was $1,281. The State has an aggressive policy of repaying its general obligation debt within seven years for debt associated with capital facilities and fifteen years for highway construction projects. More information about the State's long-term debt is found in Note 10 to the Basic Financial Statements on page 97.

Revenue and Expenditure Forecasts. Economists and budget analysts from the Executive and Legislative branches of government work with experts from the private sector and academia to develop the consensus revenue forecast used for establishing the State's annual budget. The final 2012 consensus forecast projected combined General and Education Fund revenue growth of 2.5 percent in fiscal year 2012 and 4.2 percent in fiscal year 2013. The long-term average annual revenue growth rate, adjusted for inflation, was approximately 3.9 percent for fiscal periods 1971 through 2012.

Budget Stabilization. In accordance with Sections 63J–1–312 and 313 of the *Utah Code*, the State maintains the General Fund Budget Reserve Account in the General Fund (the "Rainy Day Fund") and an Education Fund Budget Reserve Account in the Education Fund (the "Education Reserve"). State law requires 25 percent of any revenue surplus in the General Fund to be deposited in the Rainy Day Fund and 25 percent of any revenue surplus in the Education Fund to be deposited in the Education Reserve, in each case up to a statutory limit. State law limits the totals of the Rainy Day Fund and Education Reserve based on the amount of appropriations from the General Fund and Education Fund, respectively, for the fiscal year in which the surplus occurred. For additional information on the State's budget stabilization accounts see Note 11.B. on page112.

Education Growth. Projections indicate that an additional 12,500 new students will enroll in September 2012. Addressing this growth and future enrollment growth and the demands placed on state funding for public education continues to be a top priority for the Governor and the Legislature. The Legislative Fiscal Analyst's Office is developing a Public Education Distribution Model that will allow legislators to see how proposed education policy changes will impact funding.

Medicaid Sustainability. Out of concern for the long-term sustainability of the Medicaid program and in an effort to bring Medicaid growth more in line with overall state revenue growth, the State is implementing reforms. The reforms align financial incentives in the health care system by replacing the fee-for-service model with one or more risk-based delivery models. Any savings from the new risk-based delivery models will be deposited into the newly created "Medicaid Growth Reduction and Budget Stabilization Account." The account will then be used to meet the growing needs in the program.

Federal Funding. In an effort to prepare for potential future reductions in federal funding for critical state programs, Legislators passed a bill that requires certain state agencies including public education and higher education institutions to report specific federal funding information to the Legislature. Annually these entities must report total federal receipts received the preceding fiscal year in addition to providing contingency plans in the event federal receipts are reduced by either 5 percent or 25 percent.

In addition, all federal funds must go through the annual appropriations process. To gain tighter control over federal grants that span several years, the Legislature also requires multiyear grants to go through an approval and summary requirements process, including approval in the annual Appropriations Acts.

Spending Limitation. The State has a statutory appropriations limit. The appropriations limit adjusts annually pursuant to a statutory formula based on population and inflation. The definition of appropriations includes only appropriations from General Fund and Education Fund sources (spending for public education and for transportation is exempt from the limitation). For the fiscal year ended June 30, 2012, the State was $780.6 million below the appropriations limitation.

Adequate Funding for Ongoing Programs. The Legislature has been working toward ensuring all ongoing programs have adequate ongoing funding. Before the 2012 General Session of the Legislature, the State was facing a structural imbalance of $52 million. A structural imbalance occurs when ongoing programs are funded with one-time revenue. Through revenue growth, the structural imbalance was reduced to zero in the General Fund. A $25 million structural imbalance remained in the Education Fund at the end of fiscal year 2012. It is anticipated that this structural imbalance will be reduced to zero during the 2013 General Session of the Legislature.

Operating/Capital Expenditure Accountability. The Legislature now requires an in-depth budget review carried out by the Legislative Fiscal Analyst's Office on at least one department or major program each year. Beginning in fiscal year 2013, the Analyst's Office will now conduct a five-year fiscal sustainability review focusing on the General and Education funds to help legislators assess the State's budget condition.

MAJOR INITIATIVES

The Utah economy continued to recover during fiscal year 2012. For fiscal year 2013, revenue is projected to grow 4.2 percent. This growth will provide approximately $422 million in new ongoing and one-time collections to address growing needs in education and social services, and other spending priorities for the fiscal year 2013 budget, as described below:

Public Education. During the 2012 General Session, Legislators utilized new revenue and program reallocations to increase funding for public education by approximately $117.3 million, with $83.2 million ongoing and $34.1 million one-time. The Weighted Pupil Unit (WPU), the primary funding mechanism for public education, was increased $24.6 million ongoing. The basic WPU was increased from $2,816 in fiscal year 2012 to $2,842 in fiscal year 2013. The Add-on WPU Value was increased from $2,577 to $2,607, which is used for the Special Education Add-on and Career & Technical Education. Student enrollment growth received an additional $36.2 million in ongoing funding. The Legislature also provided an additional $6.3 million in ongoing funding for pupil transportation to maintain the program at the same level. Ongoing additional funding was also provided for the Voted & Board Leeways program in the amount of $2 million and $1.6 million for educator salary adjustments. From the $34.1 million one-time money, $21.3 was provided to local education agencies. Legislators also provided $7.5 million for an Early Intervention program for students, and $5 million to reimburse classroom teachers for out-of-pocket expenditures.

Higher Education. State funding for higher education increased $55 million for fiscal year 2013. Capital projects received $26.7 million one-time with $22 million allocated to infrastructure, $2.5 million for the Dixie ATC land purchase, and $2.2 million for the Utah Valley University classroom building planning phase. Higher education institutions and the State Board of Regents received $8 million in ongoing funding to improve funding equity between the institutions and for specific priorities at each entity. An equivalent 1 percent employee salary increase was funded with $9.2 million in ongoing funding. The Utah Science Technology and Research (USTAR) initiative received $6 million in funding for research teams. Of this funding, $3 million will be ongoing, and $3 million will be one-time. An additional $5 million in ongoing funding was used to fund an engineering program initiative and to address higher demand for career and technical education.

Social Service Programs. State funds for social service programs in the Departments of Health, Human Services, Workforce Services, and the Office of Rehabilitation increased $61 million ongoing or 7.8 percent between the fiscal year 2012 final budget and fiscal year 2013 initial budget. The increase was largely due to increases in Medicaid caseload costs.

Transportation. The Legislature passed Senate Bill 229, *Transportation Fund Revisions* (2011 General Session), and Senate Bill 225, *Transportation Revisions* (2012 General Session) that in part shift the growth in sales tax, using fiscal year 2011 as the base. Beginning in fiscal year 2013, 30 percent of the growth in the sales tax will be deposited into the Transportation Investment Fund. The increased sales tax collections are estimated to generate $71 million of additional sales tax revenue in fiscal year 2013 for transportation projects.

Other Postemployment Benefit Plans and Employee Compensation. The Legislature appropriated $43.8 million and $37.6 million in fiscal years 2012 and 2013 respectively, for the State Employee Other Postemployment Benefit plan. These appropriations represent a level of funding that, if paid on an ongoing basis, is actuarially projected to fund the benefits over a period of twenty-five years. Legislators also passed Senate Bill 156, *Elected Official Retirement Benefits Amendments*, which created a new post-retirement benefits trust fund for elected officials. Legislators passed House Bill 9, *State Agency and Higher Education Compensation Appropriations*, to provide a 1 percent salary increase for state agency employees at a cost of $6.2 million.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the State of Utah for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the twenty-seventh consecutive year the State has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate. We are committed to this effort, and we intend to maintain a highly qualified and professional staff to make this certification possible.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Division of Finance, Department of Administrative Services. We also express our appreciation to the budget and accounting officers throughout state government and to the Office of the Utah State Auditor for their dedicated efforts in assisting us in the preparation of this report.

Sincerely,

John Reidhead

John C. Reidhead, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Utah

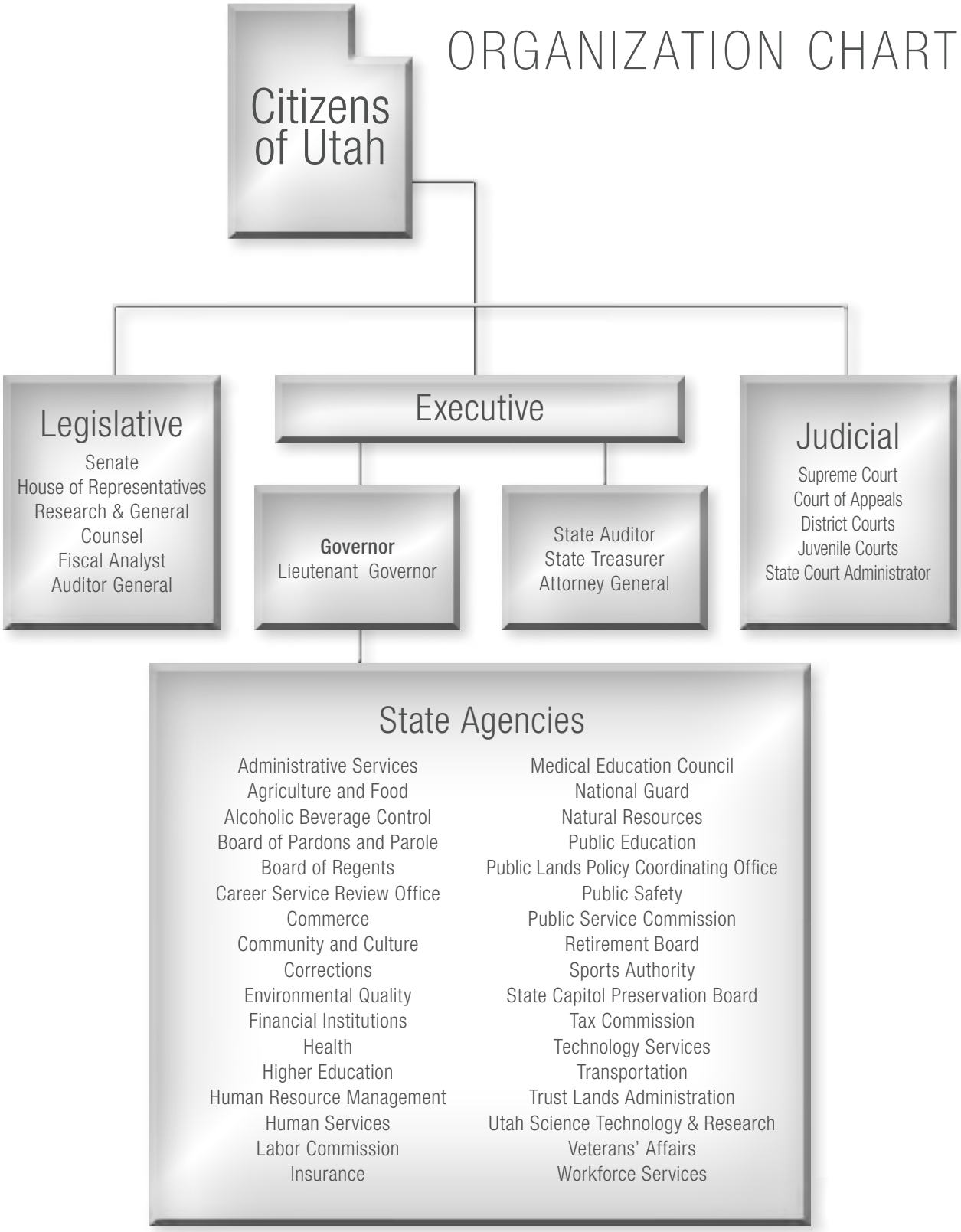
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ORGANIZATION CHART



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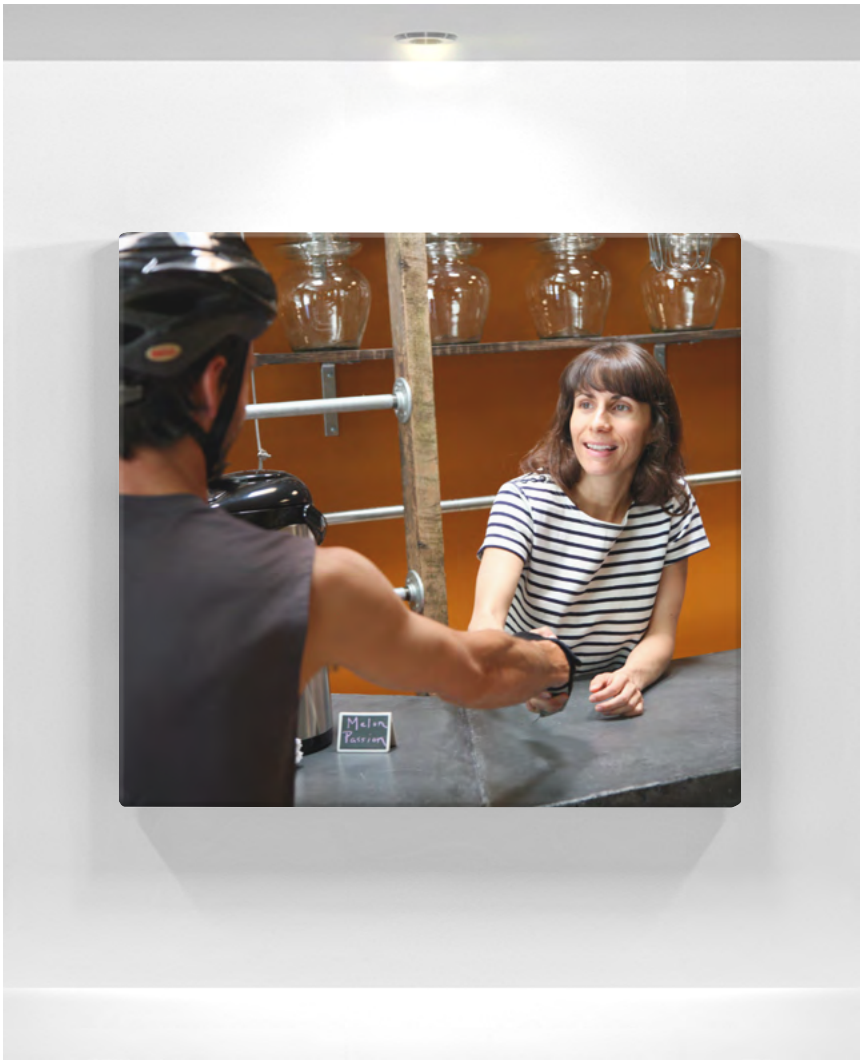

FINANCIAL SECTION

The State's economy thrives from an entrepreneurial spirit. Small businesses play an integral role in Utah's business ecosystem: 98 percent of Utah companies are under 100 employees and account for 56 percent of the jobs.

Tea Grotto

Auston G. Johnson, CPA
UTAH STATE AUDITOR

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INDEPENDENT STATE AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah ("State") as of and for the year ended June 30, 2012, 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 an opinion 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 34 percent of the assets and 38 percent of the revenues of the aggregate discretely presented component units and 68 percent of the assets and 14 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 on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously 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, 2012, and the respective changes in its 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 October 19, 2012, 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.

Accounting principles generally accepted in the United States of America require that the following information — management's discussion and analysis on pages 16 through 28, the budgetary comparison schedules on pages 128 through 132, and information about the state's other postemployment benefit plans and about infrastructure assets reported using the modified approach on pages 133 through 136 — be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as the combining and individual fund financial statements and schedules on pages 140 through 203, and the other information, such as the introductory and statistical sections on pages 1 through 11 and 208 through 245, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Auston G. Johnson, CPA
Utah State Auditor
October 19, 2012

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, 2012. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

HIGHLIGHTS

Government-wide

- Total assets of the State exceeded liabilities by $19 billion (reported as net assets). Of this amount, $2.1 billion (unrestricted net assets) may be used to meet the government's ongoing obligations while $16.9 billion is restricted for specific uses or invested in capital assets.

- The State's total net assets increased by $927.3 million or 5.1 percent over the prior year. Net assets of governmental activities increased by $707 million or 4.5 percent. Net assets of business-type activities increased by $220.3 million or 9.5 percent.

Fund Level

- The governmental funds reported combined ending fund balances of $4.019 billion, an increase of $195.5 million in comparison with the prior year. Approximately 34.9 percent or $1.404 billion of the ending fund balance is considered unrestricted (committed, assigned, or unassigned) and is available for spending either at the government's discretion or upon legislative approval.

- The General Fund ended the fiscal year with an $11.3 million unassigned fund balance. This unassigned fund balance is after a $10.5 million transfer to the General Fund Budget Reserve Account (Rainy Day Fund) and a $5.2 million statutory transfer to the Disaster Recovery Account.

- The Education Fund ended the year with a $35 million surplus after a statutory transfer of $35 million to the Education Budget Reserve Account.

- The State's stabilization accounts, the General Fund Budget Reserve Account (Rainy Day Fund) and the Education Budget Reserve Account, ended the fiscal year with balances of $133 million and $144.4 million, respectively.

- Overall, sales tax revenues in the governmental funds increased by 6.7 percent, compared to a 4.5 percent increase in the prior year. Combined tax revenues were 1 percent lower than the prior year in the General Fund due to an increase in sales and use tax collections statutorily diverted for highway projects. Combined tax revenues were 9.3 percent higher than the prior year in the Education Fund due to an improving economy.

Long-term Debt

- The State's long-term bonded debt increased a net $110.8 million or 2.3 percent. General obligation bonds for the primary government increased $404 million or 12.4 percent, while revenue bonds for the primary government decreased $293.2 million or 18 percent. The new debt issued was used to fund highway and capital facility construction and advance refund certain student loan bonds to take advantage of lower interest rates.

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 31 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 36 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 38 and 42 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 is 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 62 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 Plans. 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.*

Adjustments to Beginning Net Assets
As described in Note 2 of the financial statements on page 70, capital asset adjustments resulted in a $56 million decrease to beginning net assets of governmental activities reported on the government-wide Statement of Activities. To enhance comparability, all amounts presented for governmental activities for fiscal year 2011 in this discussion and analysis were revised, where applicable, to reflect these changes as if they had been made in the prior year.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets
The State's total net assets increased $927.3 million or 5.1 percent in fiscal year 2012. In comparison, net assets in the prior year increased $984.1 million or 5.7 percent. This increase in total net assets reflects a slow, but recovering economy and the active management of the State's resources. The change in net assets is comprised of the following:

- *Invested in Capital Assets* – Total invested in capital assets net of related debt increased $415.8 million or 3.4 percent as the State's investment in highways and buildings exceeded depreciation and the net additional debt that was incurred to finance capital-related projects.
- *Restricted Net Assets* – Total restricted net assets increased $414.6 million or 11.4 percent over the prior year:
  Restricted net assets of governmental activities increased $263.5 million or 11.3 percent. The increase was primarily due to a $134.9 million increase in expendable public education net assets as a result of increased individual and corporate income tax revenues. Nonexpendable public education net assets also increased $81.1 million or 6 percent due to revenues generated from land use and sale of trust lands in the Permanent Trust Lands Fund.
  Restricted net assets of business-type activities increased by $151.1 million or 11.5 percent, primarily due to a $121.2 million increase in the Unemployment Compensation Fund as unemployment compensation revenues exceeded related claims. Various loan programs provided an additional $32.6 million in loan capital from federal grants and investment income.
- *Unrestricted Net Assets* – Total unrestricted net assets in governmental activities increased $28.2 million or 2.7 percent due to an increase in carry-forward balances in the General Fund. Total unrestricted net assets in business-type activities increased by $68.7 million or 7 percent as the State provided additional capital for various loan programs from mineral lease and dedicated sales tax revenues.

(Table on next page)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current and Other Assets	$ 5,605,005	$ 5,300,912	$ 4,210,974	$ 4,331,268	$ 9,815,979	$ 9,632,180
Capital Assets	16,224,684	15,307,229	99,211	100,706	16,323,895	15,407,935
Total Assets	**21,829,689**	**20,608,141**	**4,310,185**	**4,431,974**	**26,139,874**	**25,040,115**
Current and Other Liabilities	1,197,233	1,072,670	78,177	41,973	1,275,410	1,114,643
Long-term Liabilities	4,173,998	3,784,059	1,702,439	2,080,722	5,876,437	5,864,781
Total Liabilities	**5,371,231**	**4,856,729**	**1,780,616**	**2,122,695**	**7,151,847**	**6,979,424**
Net Assets:						
Invested in Capital Assets, Net of Related Debt	12,773,959	12,358,579	13,293	12,862	12,787,252	12,371,441
Restricted	2,601,082	2,337,607	1,463,006	1,311,865	4,064,088	3,649,472
Unrestricted	1,083,417	1,055,226	1,053,270	984,552	2,136,687	2,039,778
Total Net Assets	**$ 16,458,458**	**$ 15,751,412**	**$ 2,529,569**	**$ 2,309,279**	**$ 18,988,027**	**$ 18,060,691**
Percent change in total net assets from prior year	4.5 %		9.5 %		5.1 %	

The largest component of the State's net assets, 67.3 percent, reflects investments in capital assets (e.g., land, buildings, equipment, intangible assets, roads, and other infrastructure) less the outstanding debt issued to finance those assets. These types of assets are not available for future spending, nor can they be readily liquidated to pay off their related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 21.4 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 individual income and corporate income 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 commitments or assignments of resources further limit the purposes for which many of those net assets may be used.

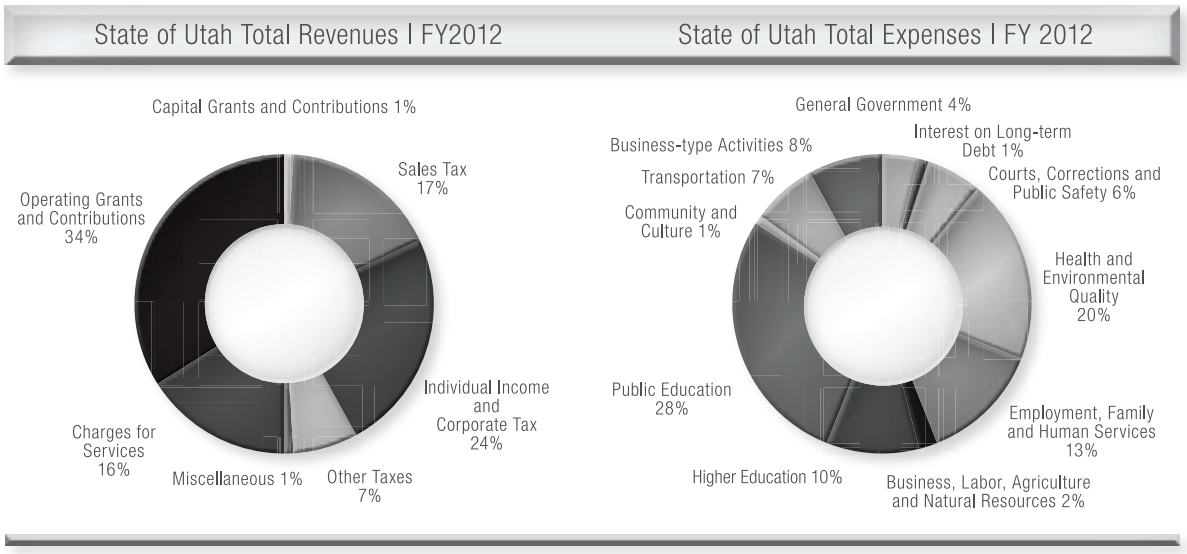
The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2012:

(Table on next page)

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
	2012	2011	2012	2011	2012	2011	2011 to 2012
Revenues							
General Revenues:							
Taxes	$ 5,507,329	$ 5,175,972	$ 24,264	$ 21,819	$ 5,531,593	$ 5,197,791	6.4 %
Other General Revenues	84,609	62,610	3,547	4,290	88,156	66,900	31.8 %
Program Revenues:							
Charges for Services	1,159,972	958,077	778,316	686,435	1,938,288	1,644,512	17.9 %
Operating Grants and Contributions	3,704,709	4,079,907	276,762	421,016	3,981,471	4,500,923	(11.5)%
Capital Grants and Contributions	157,564	109,669	—	—	157,564	109,669	43.7 %
Total Revenues	**10,614,183**	**10,386,235**	**1,082,889**	**1,133,560**	**11,697,072**	**11,519,795**	1.5 %
Expenses							
General Government	418,346	402,543	—	—	418,346	402,543	3.9 %
Human Services/Juvenile Justice Services	646,565	648,456	—	—	646,565	648,456	(0.3)%
Corrections	249,569	243,616	—	—	249,569	243,616	2.4 %
Public Safety	241,101	204,627	—	—	241,101	204,627	17.8 %
Courts	123,405	123,604	—	—	123,405	123,604	(0.2)%
Health and Environmental Quality	2,148,195	2,001,233	—	—	2,148,195	2,001,233	7.3 %
Higher Education	1,115,301	828,660	—	—	1,115,301	828,660	34.6 %
Employment and Family Services	712,388	707,019	—	—	712,388	707,019	0.8 %
Natural Resources	157,145	187,164	—	—	157,145	187,164	(16.0)%
Community and Culture	154,759	159,755	—	—	154,759	159,755	(3.1)%
Business, Labor, and Agriculture	100,385	94,397	—	—	100,385	94,397	6.3 %
Public Education	3,000,117	3,058,046	—	—	3,000,117	3,058,046	(1.9)%
Transportation	761,760	772,243	—	—	761,760	772,243	(1.4)%
Interest and Charges on Long-term Debt	121,192	104,887	—	—	121,192	104,887	15.5 %
Student Assistance Programs	—	—	111,662	93,422	111,662	93,422	19.5 %
Unemployment Compensation	—	—	436,880	642,023	436,880	642,023	(32.0)%
Water Loan Programs	—	—	19,045	38,069	19,045	38,069	(50.0)%
Community and Economic Loan Programs	—	—	2,604	1,770	2,604	1,770	47.1 %
Liquor Retail Sales	—	—	201,976	190,373	201,976	190,373	6.1 %
Other Business-type Activities	—	—	47,341	33,796	47,341	33,796	40.1 %
Total Expenses	**9,950,228**	**9,536,250**	**819,508**	**999,453**	**10,769,736**	**10,535,703**	2.2 %
Excess (deficit) Before Transfers	663,955	849,985	263,381	134,107	927,336	984,092	
Transfers	43,091	47,431	(43,091)	(47,431)	—	—	
Prior Period Adjustments and Restatements	—	(56,010)	—	—	—	(56,010)	
Change in Net Assets	**707,046**	**841,406**	**220,290**	**86,676**	**927,336**	**928,082**	
Net Assets – Beginning as Adjusted	15,751,412	14,910,006	2,309,279	2,222,603	18,060,691	17,132,609	
Net Assets – Ending	**$ 16,458,458**	**$ 15,751,412**	**$ 2,529,569**	**$ 2,309,279**	**$ 18,988,027**	**$ 18,060,691**	5.1 %

(*Charts on next page*.)



Changes in Net Assets

This year the State received 47.3 percent of its revenues from state taxes and 35.4 percent of its revenues from grants and contributions, primarily from federal sources. In the prior year, state taxes accounted for 45.1 percent and grants and contributions were 40 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 17.3 percent of total revenues in fiscal year 2012, compared to 14.9 percent in fiscal year 2011.

Governmental Activities

The State's total governmental revenues from all sources increased $227.9 million or 2.2 percent. Tax revenues increased $331.4 million or 6.4 percent. This increase in taxes reflects a recovering economy and is similar to the increase at the fund level. However, due to differences in measurement focus and timing of collections, the increase at the government-wide level should not be used to predict future increases at the fund statement or budget level. With the exception of Higher Education as discussed below, other significant changes in governmental activities' revenues and expenses mirror the changes in the governmental funds. For further discussion, see the section entitled "Financial Analysis of the State's Governmental Funds" on page 22.

Expenses for Higher Education increased by $286.6 million or 34.6 percent compared to the prior year due to an increase in the amount spent for building projects completed and transferred to colleges and universities. When these buildings are completed, ownership is transferred to the colleges and universities and reported as expenses on the government-wide statements. However, there is no impact on the governmental fund statements.

The following table shows to what extent program revenues (charges for services and grants) covered program expenses. For fiscal year 2012, program revenues covered $5.022 billion, or 50.5 percent of $9.95 billion total program expenses. For the remaining $4.9 billion or 49.5 percent of program expenses, the State relied on state taxes and other general revenues.

(*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	
	2012	2012	2012	2011	2012	2011
General Government	$ 418,346	$ 446,298	$ 27,952	$ (22,497)	106.7 %	94.4 %
Human Services/Juvenile Justice Services	646,565	280,790	(365,775)	(357,798)	43.4 %	44.8 %
Corrections	249,569	5,512	(244,057)	(236,685)	2.2 %	2.8 %
Public Safety	241,101	145,290	(95,811)	(81,049)	60.3 %	60.4 %
Courts	123,405	57,860	(65,545)	(63,974)	46.9 %	48.2 %
Health and Environmental Quality	2,148,195	1,717,164	(431,031)	(329,713)	79.9 %	83.5 %
Higher Education	1,115,301	1,780	(1,113,521)	(788,856)	0.2 %	4.8 %
Employment and Family Services	712,388	645,815	(66,573)	(57,230)	90.7 %	91.9 %
Natural Resources	157,145	115,701	(41,444)	(48,444)	73.6 %	74.1 %
Community and Culture	154,759	56,078	(98,681)	(80,057)	36.2 %	49.9 %
Business, Labor, and Agriculture	100,385	95,948	(4,437)	(16,606)	95.6 %	82.4 %
Public Education	3,000,117	632,617	(2,367,500)	(2,070,956)	21.1 %	32.3 %
Transportation	761,760	821,392	59,632	(129,845)	107.8 %	83.2 %
Interest and Charges on Long-term Debt	121,192	—	(121,192)	(104,887)	0.0 %	0.0 %
Total Governmental Activities	**$ 9,950,228**	**$ 5,022,245**	**$ (4,927,983)**	**$ (4,388,597)**	50.5 %	54.0 %

Business-type Activities

Changes in the State's business-type activities mirror the changes noted in the State's proprietary funds. The changes in the State's proprietary funds are detailed in the section entitled "Financial Analysis of the State's Proprietary Funds" on page 25. Revenues from the State's business-type activities decreased $50.7 million or 4.5 percent from the prior year. This was primarily due to decreases in operating grants, $138.4 million in the Unemployment Compensation Fund, and $19.6 million in the Water Loan Programs. These decreases were offset by $83.7 million increase in charges for services in the Unemployment Compensation Fund and an $11.1 million increase in operating grants in the Federal Health Insurance Pool. Total expenses for the State's business-type activities decreased $179.9 million or 18 percent. This decrease is reflected primarily in the Unemployment Compensation Fund and the Water Loan Programs, offset by small increases in various other business-type activities.

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 tax revenues in the water and agriculture loan programs.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2012, the State's governmental funds reported combined ending fund balances of $4.019 billion. Of this amount, $1.486 billion or 37 percent is nonspendable, either due to its form or legal constraints, and $1.129 billion or 28.1 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for public education, revenue that derives from the operation of motor vehicles on public highways, and mineral lease revenues are included in restricted fund balance. An additional $1.121 billion or 27.9 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $271.1 million or 6.8 percent of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining $11.3 million or 0.3 percent of fund balance is unassigned and available for appropriations.

State of Utah
Governmental Fund Balances as of June 30, 2012
(Expressed in Thousands)

	General Fund	Education Fund	Transportation Fund	Transportation Investment Fund	Trust Lands Fund	Nonmajor Funds	Total
Nonspendable	$ 37,649	$ —	$ 11,583	$ —	$ 1,436,623	$ —	$ 1,485,855
Restricted	39,745	629,696	162,767	210,080	—	86,487	1,128,775
Committed	489,487	—	42,022	414,709	—	175,252	1,121,470
Assigned	159,082	—	5,070	—	—	106,945	271,097
Unassigned	11,342	—	—	—	—	—	11,342
Total	**$ 737,305**	**$ 629,696**	**$ 221,442**	**$ 624,789**	**$ 1,436,623**	**$ 368,684**	**$ 4,018,539**
Percent change from prior year	5.3 %	25.8 %	(5.9)%	6.2 %	6.0 %	(16.8)%	5.1 %

General Fund

During fiscal year 2012, the General Fund's total fund balance increased by $37 million or 5.3 percent. The increase was primarily due to growth in revenue and managing expenditures by reallocating base budget resources, and utilizing one-time money from various state accounts. The General Fund ended the year with an $11.3 million surplus, or unassigned fund balance, compared to a $609 thousand surplus in the prior year.

Specific changes in the General Fund balance included the following:

- Nonspendable fund balance increased by $27 million or 252.8 percent due to $23.5 million in prepaid items reported in the current year compared to none in the prior year, and a $13.5 million increase in the long-term portion of revolving loans within Internal Service Funds.
- Restricted fund balance increased by $8.2 million or 26.1 percent due to increases in revenues set aside for specific purposes.
- Committed fund balance increased by $43.9 million or 9.9 percent, primarily due to a $29.8 million increase in agency carry-forward monies and a $14.1 million increase in monies set aside for committed purposes. Of the $14.1 million increase in committed fund balance, $5.2 million was a yearend statutory transfer to the Disaster Recovery Account, and $10.5 million was a yearend transfer to the General Fund Budget Reserve Account (Rainy Day Fund), a stabilization account within the General fund. In the event of a "revenue surplus," State law requires 25 percent of the surplus to be transferred to the General Fund Budget Reserve Account, plus an additional 25 percent to repay prior year transfers out of the fund. A "revenue surplus" is defined in statute and results when general revenues exceed the final adopted revenue budgets. The General Fund Budget Reserve Account ended the year with a balance of $133 million.
- Assigned fund balance decreased $52.9 million due, in part, to an $18.7 million decrease in the amount set aside for the next year's budget, and a $2 million decrease in tax accruals assigned by law. Assigned fund balance also decreased due to $23.5 million in prepaid items identified and classified as nonspendable fund balance. Miscellaneous changes resulting from other assigned sources account for the remaining change in assigned fund balance.

Total tax collections in the General Fund decreased $19.9 million or 1 percent. Overall, sales tax revenue in governmental funds increased 6.7 percent; however, General Fund sales tax revenue decreased $32.6 million or 2 percent, due to an increased statutory sales tax diversion for highway projects. See section entitled "Transportation Investment Fund" on page 25. This decrease in sales tax revenue was partially offset by miscellaneous increases in other tax revenues.

Total non-tax revenues increased $34.4 million or 1 percent as follows: Charges for services increased $63 million or 19 percent, driven by demand for government services. Federal mineral lease revenue increased by $47.8 million or 35.1 percent as a result of higher energy prices and an increase in production. Miscellaneous and other revenue increased $20.8 million or 11 percent primarily due to a $21.9 million payment the State received from a national mortgage foreclosure fraud settlement. The increases in revenues were partially offset by a $90.3 million decrease in federal contracts and grants, which was primarily a reduction in federal funding from the American Recovery and Reinvestment Act (ARRA).

Overall, total General Fund expenditures increased by $147.2 million or 2.7 percent as the State responded to an improving economy and an increase in the public's demand for some government services. Significant changes in expenditures occurred in the following areas:

- *Health and Environmental Quality* – Total expenditures increased $136.3 million. This was primarily due to a $100.4 million increase in the Medicaid program. Supplemental payments increased by $66.5 million to service providers. In addition, Medicaid program costs increased by approximately $34 million as a result of a 6.1 percent increase in enrollment. The balance of the increase in expenditures was due to the timing of federal revenue received and accrued at yearend.
- *General Government* – Total expenditures increased $36.1 million. This increase was due, in part, to the creation of the Office of Energy Development within the Governor's Office, which increased expenditures by $16.4 million. Other increases in programs occurred in the following: Economic Development Administration, $4.5 million; Development Zone Rebate program, $5 million; Jail Reimbursement program, $5 million; and Attorney General's Contract Attorneys program, $4.9 million.
- *Public Safety* – Total expenditures increased $21.3 million primarily due to a $12.5 million increase for armory maintenance, a $5.8 million increase in funding provided for Emergency Services and Homeland Security Program, and $3.8 million provided for state veterans' cemeteries.
- *Natural Resources* – Total expenditures decreased $35.3 million, in part, because the State Energy Program was moved to the newly created Office of Energy Development within the Governor's Office, as described above. This program had $23.8 million in expenditures in the prior year. Net budget reductions accounted for the balance of $11.5 million.
- *Community and Culture* – Total expenditures decreased $13.7 million due to net budget reductions.

Budgetary Highlights — General Fund

The Legislature adopted the initial fiscal year 2012 budget during the 2011 General Session (January to March 2011). The original revenue estimates in the General Fund budget at the start of fiscal year 2012, excluding department-specific revenue sources such as federal grants and departmental collections, and including miscellaneous transfers, were 2.2 percent lower than the final fiscal year 2011 budget. The decrease was primarily due to the increased diversion of sales tax revenues previously explained. Budgeted expenditures were 1.1 percent lower than the final fiscal year 2011 budget. The Governor and Legislature were able to balance the original fiscal year 2012 budget by using targeted budget cuts, reallocating base budget and carry-over resources, and utilizing one-time money from various state accounts.

The fiscal year 2012 budget was again addressed during the 2012 General Session of the Legislature (January to March 2012). General revenue estimates had increased $85.7 million from the original estimates adopted in the 2011 General Session, due to projected increases in sales tax, cigarette and tobacco taxes, and miscellaneous other revenues. The increased revenue estimates and reallocated base budget resources allowed the Legislature to set aside $39.9 million for fiscal year 2013 appropriations. In the end, taxes and other unrestricted revenues ended the year $3.3 million above final budgeted amounts.

Final budgets of department-specific revenue sources decreased from original budgets due to a decrease in federal contracts and grants. Actual department-specific revenues increased from final budgets due to an increase in departmental collections and federal mineral lease revenue. 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, $2.2 million of unspent budgeted dollars were lapsed back to the General Fund by agencies.

Education Fund

Restricted fund balance in the Education Fund increased by $129.3 million or 25.8 percent from the prior year as revenues exceeded expenditures and transfers out. Tax accruals restricted by law for education increased by $53.2 million. The amount unspent and carried forward for education increased by $37.7 million. Amounts set aside for fiscal year 2013 appropriations increased by $23.5 million.

In addition, the Education Fund ended the year with a $35 million "revenue surplus" after a statutory transfer to the Education Fund Budget Reserve Account, a budget stabilization account. In the event of a "revenue surplus" in the Education Fund, state law requires 25 percent of the surplus to be transferred to the Education Fund Budget Reserve Account, plus an additional 25 percent to repay prior year transfers out of the fund. At the 2012 fiscal yearend, $35 million was transferred to the Education Fund Budget Reserve Account. The account ended the fiscal year with a balance of $144.4 million.

Overall, total revenue in the Education Fund increased by $97.9 million or 2.9 percent. Individual income tax increased by $185.8 million or 8 percent and corporate income taxes increased $54.7 million or 23.7 percent. These increases are primarily due to an improving economy, but also due to the timing of tax revenue received and accrued at yearend. These increases were offset by a $144 million or 21.5 percent decrease in federal contracts and grants, primarily from a $42.3 million decrease in federal funding

provided by ARRA. The balance of the decrease was in non-ARRA federal funding. Expenditures decreased by $59.9 million or 2 percent in the Education Fund, primarily from ARRA.

Transportation Fund
Total fund balance in the Transportation Fund decreased $14 million or 5.9 percent from the prior year. Restricted fund balance decreased by $22 million or 11.9 percent due to a decrease in unspent balances of restricted fees. Committed fund balance increased $3.6 million or 9.3 percent due to an increase in unspent sales and use tax collections for highway projects. Assigned fund balance increased by $3.4 million due to an increase in unspent general revenues appropriated to the Transportation Fund. Nonspendable inventory increased by $1.1 million or 10.1 percent.

Overall, transportation revenues increased by $121.7 million or 11.9 percent. The increase resulted from the following changes in revenue as compared to the prior year:

- Federal contracts and grants increased by $161.3 million or 55.1 percent due to an increase in federal highway participating projects.
- Sales and use tax revenues statutorily designated for transportation projects increased $5.6 million or 8.8 percent.
- Federal aeronautics revenue decreased $28.1 million or 55.1 percent due to a decrease in federal aviation funding, which fluctuates based on the timing of projects.
- Miscellaneous and other revenues decreased $21 million or 23.9 percent primarily due to $38 million in one-time donations for highway projects received in the prior year. This decrease was offset by a $15.7 million increase in revenue received from cooperative agreements with local governments for construction projects.

Expenditures for the Transportation Fund increased by $88.8 million or 8.9 percent due to increased spending on federal participating highway projects, as noted above. Other financing sources decreased by $53.6 million, primarily because transfers in decreased by $47.6 million.

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 $36.5 million or 6.2 percent from the prior year. Restricted fund balance decreased $203.7 million or 49.2 percent as general obligation bond proceeds were used for highway projects. Committed fund balance increased $240.1 million or 137.5 percent due to unspent sales tax revenue at yearend.

Revenues increased $214.3 million or 109.1 percent due to a $149 million increase in sales and use tax revenues statutorily diverted from the general fund for highway projects, and a $65 million increase in miscellaneous and other revenue as a result of a cooperative agreement with a county for construction projects. Other financing sources decreased by $356.6 million or 45.4 percent, primarily due to a $392.2 million decrease in general obligation bond proceeds compared to the prior year. This decrease was offset by a $46.6 million increase in premiums on issued bonds. Bonds issued in fiscal year 2012 were not Build America Bonds, like in the prior year, and therefore were issued at a premium. Expenditures decreased by $176.9 million or 18 percent from the prior year as a result of decreased spending on highway construction projects.

Trust Lands Fund
The fund balance of the permanent Trust Lands Fund increased by $81.1 million or 6 percent due to revenue generated from land use and sales of trust lands. The permanent fund also generated $29.4 million of cash investment earnings that is earmarked for distribution to local school districts. The principal in the fund is held in perpetuity (nonspendable), with earnings restricted primarily to support public education.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs
The net assets of the Student Assistance Programs increased by $5 million or 1.3 percent. This increase in net assets can be explained by changes in total assets and liabilities. Total assets decreased by $328.6 million; however, total liabilities also decreased $333.6 million resulting in an increase in net assets. These changes were due to refunding of certain bonds causing a decrease in investments

and revenue bonds payable. In addition, there was a significant decrease in student loans receivable as a result of the discontinuation of the Federal Family Education Loan Program (FFELP). Contracts and notes payable also decreased. Of total net assets of $386.4 million, $319.7 million is restricted for use within the programs by bond covenants or federal law.

Unemployment Compensation Fund
The State's average unemployment rate for fiscal year 2012 decreased from the prior year. Federal grant revenue decreased $136.1 million as ARRA funding ended. The decline in federal grant revenue was offset by an increase in employer tax revenue of $83.7 million due to increased rates. Expenditures decreased $205.1 million or 32 percent due to an improving economy, fewer claims paid, and an end to ARRA-funded extended benefit programs. For the first time since fiscal year 2008, employer taxes and other revenues exceeded benefit payments resulting in the increase of net assets of $121.2 million or 30.3 percent. The entire balance of net assets of $521.2 million is restricted for paying unemployment benefits by state and federal law.

Water Loan Programs
The net assets of the Water Loan Programs increased $33.9 million or 4.4 percent from the prior year. Additional capital for loans was provided from $23.7 million in dedicated sales tax revenues, $18.7 million in federal grants, and $13.1 million interest on loans. These increases were offset by program grant expenses of $14.6 million, interest expense of $2.1 million, and other operating expenses of $2.4 million. Of total net assets of $809.7 million, $382.1 million is restricted for use within the Water Loan Programs by federal grant requirements and $163.1 million is restricted as pledged receivables for outstanding revenue bonds.

Community Impact Loan Fund
The net assets of the Community Impact Loan Fund increased $55.1 million or 10 percent from the prior year, primarily due to transfers into the fund of $40.9 million from federal mineral lease revenues to provide capital for loans, $6.2 million from interest on notes and mortgages, $4.3 million from federal contracts and grants revenue, and $1.5 million from investment income. There is no restriction on fund net assets.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets
The State's capital assets increased a net $916 million during the year. The change consisted of net increases in infrastructure (i.e., state roads and bridges) of $312.6 million; land and related assets of $84.8 million; machinery and equipment of $6 million; and in construction in progress of $537.9 million. Buildings and Improvements decreased a net $24.2 million during the year and software decreased $1.1 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, 2012, the State had $253.1 million of outstanding debt related to capital assets of component units**.**

At June 30, 2012, the State had commitments in capital projects funds of $242.3 million for building projects and $275.5 million for highway construction and improvement projects. The State also had commitments of $331.3 million for road construction and other contract commitments in the Transportation Fund. Funding for the commitments will come from existing resources in these funds and funding from future appropriations and bond proceeds.

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

The State's established condition level for state roads is to maintain a certain percentage of mileage at a "fair" or better condition. The Interstate system has a target of 95 percent rated as "fair" or better, Level 1 roads (over 2,000 Average Daily Traffic) at 90 percent, and Level 2 roads (under 2,000 Average Daily Annual Traffic) at 80 percent. The most recent condition assessment completed in 2011 (calendar year basis), indicated that 98.3 percent of Interstate, 93.2 percent of Level 1 and 82.7 percent of Level 2 roads were in "fair" or better condition. These results reflect an improvement in conditions compared to calendar year 2010, when 97.9 percent of Interstate, 92.1 percent of Level 1 and 82.1 percent of Level 2 roads were assessed as "fair" or better 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 2012, indicated that 71.6 percent and 1

percent of bridges were in "good" and "poor" condition, respectively. These results reflect a slight change in conditions from 2011 when 72 percent of the bridges were assessed as "good" or better, and 1 percent assessed were in "poor" condition.

During fiscal year 2012, the State spent $437 million to maintain and preserve roads and bridges. This amount is 81 percent above the estimated amount of $241 million needed to maintain these assets at established condition levels.

More information about capital assets is included in Note 8 on page 94, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on pages 135 and 136.

Long-term Debt

The *Constitution of Utah* authorizes issuing general obligation debt only as approved by the Legislature. The *Constitution* also limits the total general obligation indebtedness of the State to an amount equal to 1.5 percent of the value of the total taxable property of the State. The *State Appropriation and Tax Limitation Act* (i.e., statutory debt limit) further limits the outstanding general obligation debt of the State to not exceed 45 percent of the maximum allowable state budget appropriation limit. As of June 30, 2012, the State was $462 million below the debt limit established in the *Constitution* and $836.9 million below the statutory debt limit.

Revenue bonds of the State Building Ownership Authority are not backed by the general taxing authority of the State, but are payable from revenue provided through appropriations of the Legislature or other operating revenues. Revenue bonds of the Student Assistance Programs and Water Loan 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
	2012	2011	2012	2011	2012	2011	2011 to 2012
General Obligation Bonds	$ 3,660.1	$ 3,256.1	$ —	$ —	$ 3,660.1	$ 3,256.1	12.4 %
Revenue Bonds:							
State Building Ownership Auth.	212.7	223.3	90.1	94.8	302.8	318.1	(4.8)%
Student Assistance Programs	—	—	969.6	1,242.6	969.6	1,242.6	(22.0)%
Water Loan Progams	—	—	62.4	67.3	62.4	67.3	(7.3)%
Total Bonds Payable	**$ 3,872.8**	**$ 3,479.4**	**$ 1,122.1**	**$ 1,404.7**	**$ 4,994.9**	**$ 4,884.1**	2.3 %

Total general obligation bonds payable net of premiums, discounts, and deferred amounts on refunding increased $404 million (offset by a $293.2 million reduction in revenue bonds payable for an overall net increase of $110.8 million during the fiscal year.) The State issued $609.9 million of general obligation bonds during the fiscal year as the State sought to take advantage of lower interest rates to fund highway projects and capital facility projects. Of the general obligation bonds issued, $563 million was for highway construction and $46.9 million was for capital facility construction. In addition, the State issued a total of $553.1 million of revenue bonds. Of the revenue bonds issued, $5.3 million was for capital facility construction, and $547.8 million was used to advance refund certain outstanding student loan revenue bonds 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 97 contains more information about the State's outstanding debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Original general revenue estimates of the General Fund for fiscal year 2013 are 0.4 percent higher than actual fiscal year 2012 revenues. Original estimates of the Education Fund for fiscal year 2013 are 3.8 percent higher than actual fiscal year 2012 revenues. The Legislature balanced the 2013 budget through increased projected revenue collections, targeted budget cuts, and improved efficiency of agency operations.

Preliminary data for fiscal year 2013 show tax revenues to be in line with the estimates. The overall unemployment rate is expected to be 5.9 percent in 2012, down from the average 2011 rate of 6.7 percent. Taxable retail sales are expected to increase 6.7 percent in 2012 and increase 6.4 percent in 2013. Personal income is expected to increase 5.3 percent in 2012, and 5.5 percent in 2013. 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 2013. The Governor and Legislature will review the fiscal year 2013 budget again during the upcoming 2013 General Session and take action as necessary to ensure a balanced budget.

CONTACTING THE STATE'S DIVISION OF FINANCE

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

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

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BASIC FINANCIAL STATEMENTS

Top research institutions and unprecedented public/private partnerships have resulted in nation-leading university technology commercialization and one of the nation's most concentrated and continuously vital economic clusters — Utah's life sciences sector.

Domain Surgical

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Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 1,371,937	$ 885,463	$ 2,257,400	$ 837,874
Investments	933,075	40,611	973,686	2,452,852
Taxes Receivable, net	855,641	2,469	858,110	—
Accounts and Interest Receivable, net	768,705	192,964	961,669	502,100
Amounts Due From:				
Component Units	46,444	—	46,444	—
Primary Government	—	—	—	805
Prepaid Items	28,180	3,488	31,668	19,621
Inventories	18,145	30,750	48,895	64,221
Internal Balances	3,564	(3,564)	—	—
Restricted Investments	1,355,814	191,251	1,547,065	764,153
Deferred Charges	11,434	17,579	29,013	139,636
Notes/Loans/Mortgages/Pledges Receivable, net	30,609	2,709,058	2,739,667	1,073,747
Capital Lease Payments Receivable, net	102,540	—	102,540	—
Pledged Loans Receivables	—	140,905	140,905	—
Other Assets	78,917	—	78,917	67,722
Capital Assets:				
Land and Other Non-depreciable Assets	1,625,096	22,755	1,647,851	251,210
Infrastructure	11,196,018	—	11,196,018	—
Construction in Progress	1,961,725	—	1,961,725	296,445
Buildings, Equipment, and Other Depreciable Assets	2,523,177	108,982	2,632,159	6,376,959
Less Accumulated Depreciation	(1,081,332)	(32,526)	(1,113,858)	(2,725,392)
Total Capital Assets	16,224,684	99,211	16,323,895	4,199,222
Total Assets	21,829,689	4,310,185	26,139,874	10,121,953
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,010,913	33,056	1,043,969	410,199
Amounts Due to:				
Component Units	798	7	805	—
Primary Government	—	—	—	46,444
Securities Lending	—	—	—	28,619
Unearned Revenue	185,522	44,962	230,484	113,983
Deposits	—	152	152	93,295
Long-term Liabilities (Note 10)				
Due Within One Year	471,968	47,477	519,445	252,958
Due in More Than One Year	3,702,030	1,654,962	5,356,992	2,336,396
Total Liabilities	5,371,231	1,780,616	7,151,847	3,281,894
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	12,773,959	13,293	12,787,252	3,180,106
Restricted for:				
Transportation	151,477	—	151,477	—
Public Education – Expendable	863,393	—	863,393	—
Public Education – Nonexpendable	1,436,623	—	1,436,623	—
Higher Education – Expendable	—	—	—	943,505
Higher Education – Nonexpendable	—	—	—	637,364
Capital Projects	65,939	—	65,939	—
Debt Service	511	163,148	163,659	162,729
Unemployment Compensation and Insurance Programs	6,526	521,243	527,769	179,526
Loan Programs	—	778,615	778,615	—
Other Purposes – Expendable	76,613	—	76,613	769
Unrestricted	1,083,417	1,053,270	2,136,687	1,736,060
Total Net Assets	$ 16,458,458	$ 2,529,569	$ 18,988,027	$ 6,840,059

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

Statement of Activities

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	$ 418,346	$ 178,354	$ 267,926	$ 18
Human Services and Juvenile Justice Services	646,565	11,905	268,885	—
Corrections	249,569	4,715	797	—
Public Safety	241,101	57,257	88,033	—
Courts	123,405	56,148	1,712	—
Health and Environmental Quality	2,148,195	230,318	1,486,846	—
Higher Education	1,115,301	194	1,586	—
Employment and Family Services	712,388	11,802	634,013	—
Natural Resources	157,145	79,577	36,124	—
Community and Culture	154,759	3,148	52,930	—
Business, Labor, and Agriculture	100,385	83,758	12,190	—
Public Education	3,000,117	80,425	552,192	—
Transportation	761,760	362,371	301,475	157,546
Interest and Other Charges on Long-term Debt	121,192	—	—	—
Total Governmental Activities	9,950,228	1,159,972	3,704,709	157,564
Business-type:				
Student Assistance Programs	111,662	66,312	46,821	—
Unemployment Compensation	436,880	380,533	185,379	—
Water Loan Programs	19,045	13,710	19,806	—
Community and Economic Loan Programs	2,604	11,843	12,115	—
Liquor Retail Sales	201,976	272,363	358	—
Other Business-type Activities	47,341	33,555	12,283	—
Total Business-type Activities	819,508	778,316	276,762	0
Total Primary Government	$ 10,769,736	$ 1,938,288	$ 3,981,471	$ 157,564
Component Units:				
Utah Housing Corporation	$ 77,669	$ 77,081	$ 144	$ —
Public Employees Health Program	567,847	547,979	17,320	—
University of Utah	2,995,810	2,298,025	516,551	277,562
Utah State University	564,672	179,349	220,048	54,808
Nonmajor Colleges and Universities	1,005,779	429,105	263,128	105,558
Nonmajor Component Units	85,476	42,225	1,618	—
Total Component Units	$ 5,297,253	$ 3,573,764	$ 1,018,809	$ 437,928

General Revenues:
Taxes:
Sales and Use Tax
Individual Income Tax Imposed for Education
Corporate Tax Imposed for Education
Motor and Special Fuel Taxes Imposed for Transportation
Other Taxes
Total Taxes
Investment Income
State Funding for Colleges and Universities
State Funding for Other Component Units
Gain on Sale of Capital Assets
Miscellaneous
Permanent Endowments Contributions
Transfers—Internal Activities
Total General Revenues and Transfers
Change in Net Assets
Net Assets—Beginning
Adjustment to Beginning Net Assets
Net Assets—Beginning as Adjusted
Net Assets—Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ 27,952	$ —	$ 27,952	$ —
(365,775)	—	(365,775)	—
(244,057)	—	(244,057)	—
(95,811)	—	(95,811)	—
(65,545)	—	(65,545)	—
(431,031)	—	(431,031)	—
(1,113,521)	—	(1,113,521)	—
(66,573)	—	(66,573)	—
(41,444)	—	(41,444)	—
(98,681)	—	(98,681)	—
(4,437)	—	(4,437)	—
(2,367,500)	—	(2,367,500)	—
59,632	—	59,632	—
(121,192)	—	(121,192)	—
(4,927,983)	0	(4,927,983)	0
—	1,471	1,471	—
—	129,032	129,032	—
—	14,471	14,471	—
—	21,354	21,354	—
—	70,745	70,745	—
—	(1,503)	(1,503)	—
0	235,570	235,570	0
(4,927,983)	235,570	(4,692,413)	0
—	—	—	(444)
—	—	—	(2,548)
—	—	—	96,328
—	—	—	(110,467)
—	—	—	(207,988)
—	—	—	(41,633)
0	0	0	(266,752)
1,931,045	24,264	1,955,309	—
2,525,082	—	2,525,082	—
284,666	—	284,666	—
351,346	—	351,346	—
415,190	—	415,190	—
5,507,329	24,264	5,531,593	0
8,464	—	8,464	46,031
—	—	—	721,178
—	—	—	31,497
17,294	—	17,294	—
58,851	3,547	62,398	—
—	—	—	22,962
43,091	(43,091)	—	—
5,635,029	(15,280)	5,619,749	821,668
707,046	220,290	927,336	554,916
15,807,422	2,309,279	18,116,701	6,222,693
(56,010)	—	(56,010)	62,450
15,751,412	2,309,279	18,060,691	6,285,143
$ 16,458,458	$ 2,529,569	$ 18,988,027	$ 6,840,059

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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 not accounted for and reported in another fund.

Education Fund

This fund accounts for all corporate and income taxes that support public and higher education in the State. This fund is also used 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 capital projects fund is used to account for revenues and expenditures associated with the construction and reconstruction of specific state and federal highways. Projects designated as Centennial Highway or prioritized as critical highway needs are accounted for within this fund. Funding is provided from highway general obligation bonds, federal funds, vehicle 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 140.

State of Utah

Balance Sheet
Governmental Funds

June 30, 2012 (Expressed in Thousands)

		Special Revenue		Capital Projects
	General	Education	Transportation	Transportation Investment
ASSETS				
Cash and Cash Equivalents	$ 494,655	$ 197,414	$ 209,587	$ 209,430
Investments	75,453	143,450	48,731	398,523
Receivables:				
Accounts, net	477,617	149,096	107,290	—
Accrued Interest	35	—	—	—
Accrued Taxes, net	221,768	564,813	50,752	18,308
Notes/Mortgages, net	799	12,504	163	—
Capital Lease Payments, net	—	—	—	—
Due From Other Funds	25,227	952	248	—
Due From Component Units	124	—	—	—
Prepaid Items	23,450	—	—	—
Inventories	662	—	11,583	—
Interfund Loans Receivable	47,998	—	—	—
Other Assets	—	—	—	—
Total Assets	$ 1,367,788	$ 1,068,229	$ 428,354	$ 626,261
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 473,322	$ 186,899	$ 192,107	$ —
Due To Other Funds	27,059	2,232	4,954	—
Due To Component Units	94	367	—	—
Deferred Revenue	130,008	249,035	9,851	1,472
Total Liabilities	630,483	438,533	206,912	1,472
Fund Balances:				
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	13,537	—	—	—
Prepaid Items	23,450	—	—	—
Inventories	662	—	11,583	—
Permanent Fund Principal	—	—	—	—
Restricted	39,745	629,696	162,767	210,080
Committed	489,487	—	42,022	414,709
Assigned	159,082	—	5,070	—
Unassigned	11,342	—	—	—
Total Fund Balances	737,305	629,696	221,442	624,789
Total Liabilities and Fund Balances	$ 1,367,788	$ 1,068,229	$ 428,354	$ 626,261

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ —	$ 194,405	$ 1,305,491
1,355,814	266,918	2,288,889
5,022	17,796	756,821
930	21	986
—	—	855,641
15,020	—	28,486
—	102,540	102,540
4,726	2,949	34,102
—	45,230	45,354
—	—	23,450
—	—	12,245
—	—	47,998
78,917	—	78,917
$ 1,460,429	$ 629,859	$ 5,580,920
$ —	$ 125,488	$ 977,816
75	27,246	61,566
8	329	798
23,723	108,112	522,201
23,806	261,175	1,562,381
—	—	13,537
—	—	23,450
—	—	12,245
1,436,623	—	1,436,623
—	86,487	1,128,775
—	175,252	1,121,470
—	106,945	271,097
—	—	11,342
1,436,623	368,684	4,018,539
$ 1,460,429	$ 629,859	$ 5,580,920

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

June 30, 2012		(Expressed in Thousands)
Total Fund Balances for Governmental Funds ……		$ 4,018,539
Total net assets reported for governmental activities in the Statement of Net Assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: (See Note 8)		
Land and Related Non-depreciable Assets	$ 1,625,079	
Infrastructure, Non-depreciable	11,196,018	
Construction-In-Progress	1,961,528	
Buildings, Equipment, and Other Depreciable Assets	2,312,446	
Accumulated depreciation	(954,818)	16,140,253
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. …..……..		336,861
Internal service funds are used by management to charge the costs of certain activities, such as insurance, technology services, 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. .....….....…		75,705
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. ……..…		10,988
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	(3,697,470)	
Unamortized Premiums	(200,962)	
Amount Deferred on Refunding	26,225	
Accrued Interest Payable	(1,381)	
Pollution Remediation Obligation	(6,640)	
Settlement Agreements, Liability	(34,007)	
Settlement Agreements, Receivable	5,757	
Compensated Absences	(185,701)	
Capital Leases	(24,270)	
Net Other Postemployment Benefit Obligation	(5,439)	(4,123,888)
Total Net Assets of Governmental Activities ……..		$ 16,458,458

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

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

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

		Special Revenue		Capital Projects
	General	Education	Transportation	Transportation Investment
REVENUES				
Taxes:				
Sales and Use Tax	$ 1,591,614	$ —	$ 69,198	$ 269,313
Individual Income Tax	—	2,518,373	—	—
Corporate Tax	—	285,541	—	—
Motor and Special Fuels Tax	—	—	353,299	—
Other Taxes	355,129	37,791	9,801	—
Total Taxes	1,946,743	2,841,705	432,298	269,313
Other Revenues:				
Federal Contracts and Grants	2,548,200	525,453	454,343	—
Charges for Services/Royalties	394,040	681	87,295	—
Licenses, Permits, and Fees	28,415	5,108	78,401	71,706
Federal Mineral Lease	183,739	—	—	—
Federal Aeronautics	—	—	22,883	—
Intergovernmental	—	—	—	—
Investment Income	8,784	29,649	809	4,606
Miscellaneous and Other	209,312	28,066	66,697	65,000
Total Revenues	5,319,233	3,430,662	1,142,726	410,625
EXPENDITURES				
Current:				
General Government	326,830	—	—	—
Human Services and Juvenile Justice Services	641,984	—	—	—
Corrections	241,943	—	—	—
Public Safety	222,087	—	—	—
Courts	127,066	—	—	—
Health and Environmental Quality	2,140,696	—	—	—
Higher Education – State Administration	49,359	—	—	—
Higher Education – Colleges and Universities	698,676	—	—	—
Employment and Family Services	705,715	—	—	—
Natural Resources	152,007	—	—	—
Community and Culture	137,711	—	—	—
Business, Labor, and Agriculture	87,842	—	—	—
Public Education	—	2,999,350	—	—
Transportation	—	—	1,086,479	—
Capital Outlay	—	—	—	803,775
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	5,531,916	2,999,350	1,086,479	803,775
Excess Revenues Over (Under) Expenditures	(212,683)	431,312	56,247	(393,150)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	—	—	—	563,060
Revenue Bonds Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	83,340
Sale of Capital Assets	10	—	12,276	—
Transfers In	470,328	7,646	66,476	82,634
Transfers Out	(220,696)	(309,696)	(148,965)	(299,497)
Total Other Financing Sources (Uses)	249,642	(302,050)	(70,213)	429,537
Net Change in Fund Balances	36,959	129,262	(13,966)	36,387
Fund Balances – Beginning	700,346	500,434	235,408	588,402
Fund Balances – Ending	$ 737,305	$ 629,696	$ 221,442	$ 624,789

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ —	$ 3,910	$ 1,934,035
—	—	2,518,373
—	—	285,541
—	—	353,299
—	12,023	414,744
0	15,933	5,505,992
—	33,516	3,561,512
70,044	73,771	625,831
—	—	183,630
—	—	183,739
—	—	22,883
—	34,407	34,407
(1,336)	3,621	46,133
—	23,935	393,010
68,708	185,183	10,557,137
—	27,656	354,486
—	3,434	645,418
—	3,886	245,829
—	17,366	239,453
—	—	127,066
—	3,405	2,144,101
—	—	49,359
—	22,398	721,074
—	466	706,181
—	1,691	153,698
—	17,864	155,575
—	11,847	99,689
—	356	2,999,706
—	853	1,087,332
—	169,431	973,206
—	266,300	266,300
—	168,047	168,047
0	715,000	11,136,520
68,708	(529,817)	(579,383)
—	46,860	609,920
—	5,250	5,250
—	9,218	92,558
9,872	—	22,158
2,478	467,825	1,097,387
—	(73,537)	(1,052,391)
12,350	455,616	774,882
81,058	(74,201)	195,499
1,355,565	442,885	3,823,040
$ 1,436,623	$ 368,684	$ 4,018,539

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, 2012		(Expressed in Thousands)
Net Change in Fund Balances – Total Governmental Funds ……		$ 195,499
The change in net assets reported for governmental activities in the Statement of Net Assets is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The primary government also constructs buildings for component units. When the buildings are completed they are "transferred" to component units and are reported as expenses in the Statement of Activities. This is the amount by which capital outlays $1,360,446 exceeded depreciation $(82,362) and buildings "transferred" to component units $(344,875) in the current period. (See Note 8) ……		933,209
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. …….		(20,714)
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. ……..		(3,767)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, technology services, and fleet operations to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(7,691)
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	$ (615,170)	
Premiums on Bonds Issued	(92,558)	
Payment of Bond Principal	266,300	
Capital Lease Payments	1,529	(439,899)
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	443	
Settlement Agreements Costs, net	3,334	
Compensated Absences Expenses	(3,158)	
Accrued Interest on Bonds Payable	64	
Amortization of Bond Premiums	53,575	
Amortization of Amount Deferred on Refunding	(5,649)	
Deferred Bond Issue Costs	97	
Other Postemployment Benefit Costs	1,703	50,409
Change in Net Assets of Governmental Activities ……		$ 707,046

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

Proprietary Fund Financial Statements

Student Assistance Programs

These programs are comprised of two programs administered by the State Board of Regents: the Utah Higher Education Assistance Authority Student Loan Guarantee Program and the Student Loan Purchase Program. The purpose of these programs is to guarantee the repayment of student loans made by participating lenders to eligible borrowers and service outstanding student loans. Funds are acquired from the sale of bonds, lines-of-credit, and funding notes.

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 and from general obligation bonds that have been repaid from general tax revenues. Additional funds have been generated by issuing water loan recapitalization revenue bonds that are secured by pledged principal and interest payments of specific revolving water resources loan funds.

Community Impact Loan Fund

This fund provides loans to local governments to alleviate the social, economic, and public financial impacts resulting from the development of the State's natural resources. Working capital for this fund is provided from federal mineral lease funds transferred from the General Fund. This fund also administers loans and loan guarantees from federal funds to small businesses under the Small Business Credit Initiative.

Nonmajor Funds

Nonmajor enterprise funds are presented beginning on page 164.

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 174.

Statement Of Net Assets
Proprietary Funds

June 30, 2012 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Community Impact Loan Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 100,168	$ 418,088	$ 146,222	$ 179,415
Restricted Investments	75,036	—	—	—
Receivables:				
Accounts, net	12,475	117,954	2,527	—
Accrued Interest	20,852	—	6,709	3,942
Accrued Taxes, net	—	—	2,469	—
Notes/Loans/Mortgages, net	179,802	—	40,215	18,621
Due From Other Funds	—	—	11,903	—
Due From Component Units	—	—	—	—
Prepaid Items	1,514	—	—	—
Inventories	—	—	—	—
Deferred Charges	2,395	—	—	—
Total Current Assets	392,242	536,042	210,045	201,978
Noncurrent Assets:				
Restricted Investments	116,215	—	—	—
Accounts Receivables	—	6,179	—	—
Investments	39,621	—	—	—
Prepaid Items	1,962	—	—	—
Accrued Interest Receivable	—	—	3,893	70
Notes/Loans/Mortgages Receivables, net	1,404,084	—	517,681	405,027
Pledged Loans Receivables	—	—	140,905	—
Deferred Charges	15,184	—	—	—
Capital Assets:				
Land	—	—	—	—
Infrastructure	—	—	—	—
Buildings and Improvements	12,778	—	—	—
Machinery and Equipment	2,139	—	—	—
Intangible Assets–Software	1,174	—	—	—
Construction in Progress	—	—	—	—
Less Accumulated Depreciation	(4,705)	—	—	—
Total Capital Assets	11,386	0	0	0
Total Noncurrent Assets	1,588,452	6,179	662,479	405,097
Total Assets	1,980,694	542,221	872,524	607,075
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	18,372	1,056	360	358
Deposits	—	55	—	—
Due To Other Funds	—	8,011	42	2
Due To Component Units	—	—	—	—
Interfund Loans Payable	—	—	—	—
Unearned Revenue	332	—	—	—
Policy Claims and Uninsured Liabilities	680	11,856	—	—
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	22,298	—	4,966	—
Total Current Liabilities	41,682	20,978	5,368	360
Noncurrent Liabilities:				
Accrued Liabilities	482	—	—	—
Unearned Revenue	39,901	—	—	—
Interfund Loans Payable	—	—	—	—
Policy Claims and Uninsured Liabilities	2,482	—	—	—
Contracts/Notes Payable	552,423	—	—	—
Revenue Bonds Payable	947,282	—	57,469	—
Arbitrage Liability	10,000	—	—	—
Total Noncurrent Liabilities	1,552,570	0	57,469	0
Total Liabilities	1,594,252	20,978	62,837	360
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,729	—	—	—
Restricted for:				
Unemployment Compensation and Insurance Programs	—	521,243	—	—
Loan Programs	319,713	—	382,098	—
Debt Service	—	—	163,148	—
Unrestricted (Deficit)	63,000	—	264,441	606,715
Total Net Assets	$ 386,442	$ 521,243	$ 809,687	$ 606,715

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

Business-type Activities – Enterprise Funds		Governmental Activities –
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 41,570	$ 885,463	$ 66,446
—	75,036	—
15,778	148,734	4,946
1,632	33,135	—
—	2,469	—
8,824	247,462	—
12,674	24,577	26,585
—	0	1,090
12	1,526	4,472
30,750	30,750	5,900
—	2,395	23
111,240	1,451,547	109,462
—	116,215	—
—	6,179	—
990	40,611	—
—	1,962	258
953	4,916	—
134,804	2,461,596	2,123
—	140,905	—
—	15,184	423
22,755	22,755	17
304	304	303
78,709	91,487	6,183
13,481	15,620	196,496
397	1,571	7,749
—	0	197
(27,821)	(32,526)	(126,514)
87,825	99,211	84,431
224,572	2,886,779	87,235
335,812	4,338,326	196,697
12,428	32,574	26,129
97	152	—
20,086	28,141	949
7	7	—
—	0	34,461
4,729	5,061	17
2,848	15,384	17,013
—	0	23
4,829	32,093	80
45,024	113,412	78,672
—	482	—
—	39,901	165
—	0	13,537
—	2,482	27,687
—	552,423	423
85,306	1,090,057	508
—	10,000	—
85,306	1,695,345	42,320
130,330	1,808,757	120,992
9,564	13,293	83,908
—	521,243	6,526
76,804	778,615	—
—	163,148	—
119,114	1,053,270	(14,729)
$ 205,482	$ 2,529,569	$ 75,705

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

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Community Impact Loan Fund
OPERATING REVENUES				
Sales and Charges for Services/Premiums	$ 9,334	$ 380,533	$ 280	$ —
Fees and Assessments	1,225	—	358	—
Interest on Notes/Mortgages	52,664	—	13,072	6,199
Federal Reinsurance and Allowances/Reimbursements	45,530	174,564	—	—
Miscellaneous	3,089	—	—	2,368
Total Operating Revenues	111,842	555,097	13,710	8,567
OPERATING EXPENSES				
Administration	5,294	—	—	91
Purchases, Materials, and Services for Resale	—	—	—	—
Grants	—	—	14,558	—
Rentals and Leases	—	—	1	—
Maintenance	—	—	—	—
Interest	13,633	—	—	—
Depreciation/Amortization	744	—	—	—
Student Loan Servicing and Related Expenses	44,469	—	—	—
Payment to Lenders for Guaranteed Claims	45,858	—	—	—
Benefit Claims and Unemployment Compensation	—	436,880	—	—
Supplies and Other Miscellaneous	1,664	—	2,415	74
Total Operating Expenses	111,662	436,880	16,974	165
Operating Income (Loss)	180	118,217	(3,264)	8,402
NONOPERATING REVENUES (EXPENSES)				
Investment Income	1,291	10,815	1,126	1,453
Federal Contracts and Grants	—	—	18,680	4,345
Disposal of Capital Assets	—	—	—	—
Tax Revenues	—	—	23,739	—
Interest Expense	—	—	(2,071)	—
Refunds Paid to Federal Government	—	—	—	—
Other Revenues (Expenses)	3,509	—	—	—
Total Nonoperating Revenues (Expenses)	4,800	10,815	41,474	5,798
Income (Loss) before Transfers	4,980	129,032	38,210	14,200
Transfers In	—	—	—	40,868
Transfers Out	—	(7,871)	(4,265)	—
Change in Net Assets	4,980	121,161	33,945	55,068
Net Assets – Beginning	381,462	400,082	775,742	551,647
Net Assets – Ending	$ 386,442	$ 521,243	$ 809,687	$ 606,715

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

Business-type Activities – Enterprise Funds		Governmental Activities – Internal Service Funds
Nonmajor Enterprise Funds	Total	
$ 300,545	$ 690,692	$ 307,346
4,872	6,455	—
3,245	75,180	—
—	220,094	—
532	5,989	177
309,194	998,410	307,523
30,668	36,053	99,398
182,557	182,557	84,965
1,312	15,870	—
2,143	2,144	1,387
4,248	4,248	25,584
—	13,633	—
3,477	4,221	17,590
—	44,469	—
—	45,858	—
13,697	450,577	12,654
9,618	13,771	72,008
247,720	813,401	313,586
61,474	185,009	(6,063)
42	14,727	341
18,916	41,941	18
38	38	598
525	24,264	—
(4,036)	(6,107)	(52)
—	0	(274)
—	3,509	(354)
15,485	78,372	277
76,959	263,381	(5,786)
2,243	43,111	95
(74,066)	(86,202)	(2,000)
5,136	220,290	(7,691)
200,346	2,309,279	83,396
$ 205,482	$ 2,529,569	$ 75,705

State of Utah

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Community Impact Loan Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers/Loan Interest/Fees/Premiums	$ 57,625	$ 370,938	$ 11,827	$ 8,177
Receipts from Loan Maturities	256,983	—	60,721	50,213
Receipts Federal Reinsurance and Allowances/Reimbursements	18,039	175,583	—	—
Receipts from State Customers	—	—	—	—
Student Loan Disbursements Sent to Schools/Lenders	37	—	—	—
Payments to Suppliers/Claims/Grants	(18,321)	(438,155)	(17,091)	280
Disbursements for Loans Receivable	(22,071)	—	(51,349)	(93,111)
Payments on Loan Guarantees	(45,450)	—	—	—
Payments for Employee Services and Benefits	(11,360)	—	—	(83)
Payments to State Suppliers and Grants	—	—	—	(2)
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	—
Net Cash Provided (Used) by Operating Activities	235,482	108,366	4,108	(34,526)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Repayments Under Interfund Loans	—	—	—	—
Receipts from Bonds, Notes, and Deposits	539,996	4	—	—
Payments of Bonds, Notes, Deposits, and Refunds	(896,910)	(17)	(4,895)	—
Interest Paid on Bonds, Notes, and Financing Costs	(24,434)	—	—	—
Federal Contracts and Grants and Other Revenues	—	—	16,315	4,345
Restricted Sales Tax	—	—	23,311	—
Transfers In from Other Funds	—	—	—	40,868
Transfers Out to Other Funds	—	(7,871)	(4,266)	—
Net Cash Provided (Used) by Noncapital Financing Activities	(381,348)	(7,884)	30,465	45,213
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Proceeds from Bond and Note Debt Issuance	—	—	—	—
Proceeds from Disposition of Capital Assets	—	—	—	—
Federal Grants and Other Revenues	—	—	—	—
Principal Paid on Debt and Contract Maturities	—	—	—	—
Acquisition and Construction of Capital Assets	(984)	—	—	—
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	—
Transfers In from Other Funds	—	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(984)	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	1,649,852	—	—	—
Receipts of Interest and Dividends from Investments	1,297	10,816	1,356	1,453
Payments to Purchase Investments	(1,485,678)	—	—	—
Net Cash Provided (Used) by Investing Activities	165,471	10,816	1,356	1,453
Net Cash Provided (Used) – All Activities	18,621	111,298	35,929	12,140
Cash and Cash Equivalents – Beginning	81,547	306,790	110,293	167,275
Cash and Cash Equivalents – Ending	$ 100,168	$ 418,088	$ 146,222	$ 179,415

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

Business-type Activities – Enterprise Funds		Governmental Activities – Internal Service Funds
Nonmajor Enterprise Funds	Total	
$ 355,645	$ 804,212	$ 50,571
12,051	379,968	—
—	193,622	—
10,545	10,545	258,581
—	37	—
(208,514)	(681,801)	(139,637)
(16,634)	(183,165)	—
—	(45,450)	—
(28,381)	(39,824)	(99,471)
(10,045)	(10,047)	(58,034)
(52,348)	(52,348)	—
62,319	375,749	12,010
14,642	14,642	—
(15,608)	(15,608)	(492)
—	540,000	—
—	(901,822)	(20)
—	(24,434)	(22)
16,495	37,155	—
525	23,836	—
2,243	43,111	—
(74,066)	(86,203)	(2,000)
(55,769)	(369,323)	(2,534)
—	0	10,132
368	368	—
—	0	3,239
—	0	687
(4,284)	(4,284)	(76)
(325)	(1,309)	(25,191)
(2,472)	(2,472)	(16)
—	0	95
(6,713)	(7,697)	(11,130)
16	1,649,868	—
42	14,964	341
—	(1,485,678)	—
58	179,154	341
(105)	177,883	(1,313)
41,675	707,580	67,759
$ 41,570	$ 885,463	$ 66,446

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	**Unemployment Compensation Fund**	**Water Loan Programs**	**Community Impact Loan Fund**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 180	$ 118,217	$ (3,264)	$ 8,402
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	744	—	—	—
Interest Expense for Noncapital and Capital Financing	13,748	—	—	—
Miscellaneous Gains, Losses, and Other Items	5,130	—	—	—
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	(3,751)	(12,172)	(2,316)	—
Notes/Accrued Interest Receivables	222,894	—	9,808	(43,288)
Inventories	—	—	—	—
Prepaid Items/Deferred Charges	(180)	—	—	—
Accrued Liabilities/Due to Other Funds	(1,880)	1,710	(120)	360
Unearned Revenue/Deposits	—	—	—	—
Policy Claims Liabilities	(1,403)	611	—	—
Net Cash Provided (Used) by Operating Activities	$ 235,482	$ 108,366	$ 4,108	$ (34,526)
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ (139)	$ 63
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ (139)	$ 63

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

Business-type Activities – Enterprise Funds		Governmental Activities – Internal Service Funds
Nonmajor Enterprise Funds	Total	
$ 61,474	$ 185,009	$ (6,063)
3,477	4,221	17,590
—	13,748	—
—	5,130	(1,297)
4,868	(13,371)	2,329
(4,507)	184,907	(487)
813	813	(321)
(10)	(190)	(2,599)
(5,653)	(5,583)	891
(93)	(93)	(2)
1,950	1,158	1,969
$ 62,319	$ 375,749	$ 12,010
$ (133)	$ (209)	$ (70)
$ (133)	$ (209)	$ (70)

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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 Post-Retirement Benefits Trust Funds, defined benefit other postemployment benefit plans (OPEB Plans) 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 184.

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 1,006,212	$ 939,579	$ 5,954	$ 169,769
Receivables:				
Accounts	3,307	—	7,506	11,739
Contributions	41,626	—	—	—
Investments	519,131	—	—	—
Accrued Assessments	—	—	2,986	—
Court Settlement	—	—	23,000	—
Due From Other Funds	2,843	—	1,236	1,508
Investments:				
Debt Securities	5,588,172	5,117,956	876,553	24,561
Equity Investments	9,037,217	—	4,133,509	—
Absolute Return	3,286,714	—	—	—
Private Equity	2,254,396	—	—	—
Real Assets	2,925,881	—	—	—
Mortgage Loans	6,845	—	—	—
Invested Securities Lending Collateral	1,732,651	—	—	—
Total Investments	24,831,876	5,117,956	5,010,062	24,561
Capital Assets:				
Land	1,780	—	271	—
Buildings and Improvements	11,555	—	10,715	—
Machinery and Equipment	5,725	—	1,260	—
Less Accumulated Depreciation	(17,924)	—	(3,738)	—
Total Capital Assets	1,136	0	8,508	0
Total Assets	26,406,131	6,057,535	5,059,252	$ 207,577
LIABILITIES				
Accounts Payable	529,727	—	1,574	$ —
Securities Lending Liability	1,732,651	—	—	—
Due To Other Funds	—	—	195	—
Due To Individuals, Organizations, and Other Governments	—	—	—	207,577
Unearned Revenue	—	—	234	—
Leave/Postemployment Benefits	12,465	—	—	—
Policy Claims Liabilities/Insurance Reserves	4,998	—	269,850	—
Real Estate Liabilities	761,342	—	—	—
Total Liabilities	3,041,183	0	271,853	$ 207,577
NET ASSETS				
Held in trust for:				
Pension Benefits	19,952,853	—	—	
Other Postemployment Benefits	146,206	—	—	
Defined Contribution	3,265,889	—	—	
Pool Participants	—	6,057,535	—	
Individuals, Organizations, and Other Governments	—	—	4,787,399	
Total Net Assets	$ 23,364,948	$ 6,057,535	$ 4,787,399	
Participant Account Balance Net Asset Valuation Factor		1.0058628		

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, 2012 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 289,575	$ —	$ 575,539
Employer	790,187	—	—
Court Fees and Fire Insurance Premiums	14,504	—	—
Total Contributions	1,094,266	0	575,539
Pool Participant Deposits	—	7,765,422	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	114,457	(1,936)	20,332
Interest, Dividends, and Other Investment Income	426,369	40,313	92,323
Less Investment Expenses	(50,105)	(316)	—
Net Investment Income	490,721	38,061	112,655
Transfers From Affiliated Systems	37,473	—	—
Other Additions:			
Escheats	—	—	22,072
Royalties and Rents	—	—	5,417
Fees, Assessments, and Revenues	—	—	42,119
Miscellaneous	—	—	6,054
Total Other	0	0	75,662
Total Additions	1,622,460	7,803,483	763,856
DEDUCTIONS			
Pension Benefits	1,083,497	—	—
Retiree Healthcare Benefits	30,700	—	—
Refunds/Plan Distributions	226,059	—	—
Earnings Distribution	—	39,998	—
Pool Participant Withdrawals	—	7,905,881	—
Transfers To Affiliated Systems	37,473	—	—
Trust Operating Expenses	—	—	28,788
Distributions and Benefit Payments	—	—	199,577
Administrative and General Expenses	16,468	—	18,227
Total Deductions	1,394,197	7,945,879	246,592
Change in Net Assets Held in Trust for:			
Pension Benefits	196,747	—	—
Other Postemployment Benefits	22,275	—	—
Defined Contributions	9,241	—	—
Pool Participants	—	(142,396)	—
Individuals, Organizations, and Other Governments	—	—	517,264
Net Assets – Beginning	23,136,685	6,199,931	4,270,135
Net Assets – Ending	$ 23,364,948	$ 6,057,535	$ 4,787,399

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

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Component Unit Financial Statements

Utah Housing Corporation

The Corporation was created to provide an alternative source of funding for home mortgages, particularly for lower income families. It is funded entirely through the issuance of bonds 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 200.

Combining Statement Of Net Assets
Component Units

June 30, 2012 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 100,652	$ 19,069	$ 370,905	$ 32,722
Investments	220,696	53,480	664,883	58,131
Receivables:				
Accounts, net	—	33,060	340,723	58,045
Notes/Loans/Mortgages/Pledges, net	20,739	—	—	1,342
Accrued Interest	5,662	13,083	—	—
Due From Primary Government	—	—	329	—
Prepaid Items	1,226	9,757	—	1,974
Inventories	—	—	45,166	5,126
Deferred Charges	—	—	17,479	—
Total Current Assets	348,975	128,449	1,439,485	157,340
Noncurrent Assets:				
Restricted Investments	—	—	534,124	137,513
Accounts Receivables, net	—	—	—	17,391
Investments	184,447	224,011	604,182	167,993
Notes/Loans/Mortgages/Pledges Receivables, net	999,610	—	—	10,789
Deferred Charges	121,609	—	—	—
Other Assets	7,990	—	54,124	101
Capital Assets (net of Accumulated Depreciation)	5,814	156	2,288,364	687,818
Total Noncurrent Assets	1,319,470	224,167	3,480,794	1,021,605
Total Assets	1,668,445	352,616	4,920,279	1,178,945
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	38,376	8,427	170,257	44,105
Securities Lending Liability	—	28,619	—	—
Deposits	—	—	72,588	631
Due To Primary Government	—	—	27,249	3,976
Unearned Revenue	—	3,010	51,812	16,871
Current Portion of Long-term Liabilities (Note 10)	87,762	69,387	47,201	23,035
Total Current Liabilities	126,138	109,443	369,107	88,618
Noncurrent Liabilities:				
Accrued Liabilities	111,482	—	—	2,124
Unearned Revenue	6,798	—	—	—
Deposits	—	—	15,313	—
Long-term Liabilities (Note 10)	1,190,119	63,491	749,879	119,364
Total Noncurrent Liabilities	1,308,399	63,491	765,192	121,488
Total Liabilities	1,434,537	172,934	1,134,299	210,106
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,677	156	1,569,553	576,058
Restricted for:				
Nonexpendable:				
Higher Education	—	—	411,667	107,149
Expendable:				
Higher Education	—	—	586,683	164,417
Debt Service	162,729	—	—	—
Insurance Plans	—	179,526	—	—
Other	—	—	—	—
Unrestricted	66,502	—	1,218,077	121,215
Total Net Assets	$ 233,908	$ 179,682	$ 3,785,980	$ 968,839

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

Nonmajor Component Units	Total
$ 314,526	$ 837,874
95,544	1,092,734
28,564	460,392
9,385	31,466
269	19,014
476	805
6,664	19,621
13,929	64,221
548	18,027
469,905	2,544,154
92,516	764,153
5,303	22,694
179,485	1,360,118
31,882	1,042,281
—	121,609
5,507	67,722
1,217,070	4,199,222
1,531,763	7,577,799
2,001,668	10,121,953
35,428	296,593
—	28,619
4,364	77,583
15,219	46,444
31,862	103,555
25,573	252,958
112,446	805,752
—	113,606
3,630	10,428
399	15,712
213,543	2,336,396
217,572	2,476,142
330,018	3,281,894
1,029,662	3,180,106
118,548	637,364
192,405	943,505
—	162,729
—	179,526
769	769
330,266	1,736,060
$ 1,671,650	$ 6,840,059

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
Expenses	$ 77,669	$ 567,847	$ 2,995,810	$ 564,672
Program Revenues:				
Charges for Services:				
Tuition and Fees	—	—	303,195	159,602
Scholarship Allowances	—	—	(39,564)	(59,470)
Sales, Services, and Other Revenues (net of University of Utah patient services allowance of $79,395)	77,081	547,979	2,034,394	79,217
Operating Grants and Contributions	144	17,320	516,551	220,048
Capital Grants and Contributions	—	—	277,562	54,808
Total Program Revenues	77,225	565,299	3,092,138	454,205
Net (Expenses) Revenues	(444)	(2,548)	96,328	(110,467)
General Revenues:				
State Appropriations	—	—	253,909	161,608
Unrestricted Investment Income	—	—	19,877	15,003
Permanent Endowments Contributions	—	—	13,966	2,143
Total General Revenues	0	0	287,752	178,754
Change in Net Assets	(444)	(2,548)	384,080	68,287
Net Assets – Beginning	234,352	182,230	3,401,900	838,102
Adjustment to Beginning Net Assets	—	—	—	62,450
Net Assets – Beginning as Adjusted	234,352	182,230	3,401,900	900,552
Net Assets – Ending	$ 233,908	$ 179,682	$ 3,785,980	$ 968,839

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

Nonmajor Component Units	Total
$ 1,091,255	$ 5,297,253
423,275	886,072
(103,341)	(202,375)
151,396	2,890,067
264,746	1,018,809
105,558	437,928
841,634	5,030,501
(249,621)	(266,752)
337,158	752,675
11,151	46,031
6,853	22,962
355,162	821,668
105,541	554,916
1,566,109	6,222,693
—	62,450
1,566,109	6,285,143
$ 1,671,650	$ 6,840,059

Index to the Notes to the Financial Statements **Page**

1. Summary of Significant Accounting Policies 63
   A. Reporting Entity 63
   B. Government-wide and Fund Financial Statements 64
   C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation 64
   D. Fiscal Yearends 66
   E. Assets, Liabilities, and Net Assets/Fund Balances 66
   F. Revenues and Expenditures/Expenses 69
   G. Interfund Transactions 70
   H. Future Changes in Accounting Standards 70
2. Beginning Net Asset Adjustments and Other Changes 70
3. Deposits and Investments 70
   A. Primary Government 71
   B. Component Units 79
   C. Securities Lending 81
   D. Derivative Financial Instruments 81
4. Investment Pool 86
5. Receivables 91
6. Accounts Payable and Accrued Liabilities 92
7. Interfund Balances and Loans 93
8. Capital Assets 94
9. Lease Commitments 96
10. Long-term Liabilities 97
   A. Changes in Long-term Liabilities 97
   B. General Obligation Bonds 98
   C. Revenue Bonds 99
   D. Conduit Debt Obligations 107
   E. Demand Bonds 107
   F. Defeased Bonds and Bond Refunding 107
   G. Contracts Payable 108
   H. Notes Payable 108
   I. Debt Service Requirements for Derivatives 109
11. Governmental Fund Balances, Budget Stabilization Accounts, and Net Assets Restricted by Enabling Legislation 110
   A. Governmental Fund Balances – Restricted, Committed and Assigned 110
   B. Budget Stabilization Accounts 112
   C. Net Assets Restricted by Enabling Legislation 112
12. Deficit Net Assets and Fund Balance 112
13. Interfund Transfers 112
14. Litigation, Contingencies, and Commitments 113
   A. Litigation 113
   B. Contingencies 114
   C. Commitments 114
15. Joint Venture 115
16. Pension Plans 116
   A. Utah Retirement Systems 116
   B. Teachers Insurance and Annuity Association–College Retirement Equities Fund 122
17. Other Postemployment Benefits 122
   A. Other Postemployment Benefit Plans 122
   B. State Employee Other Postemployment Benefit Plan 122
   C. Elected Official Other Postemployment Benefit Plan 122
18. Risk Management and Insurance 124
19. Subsequent Events 126

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Entities such as the local school districts, charter schools, and other local authorities of various kinds that may only partially meet the criteria for inclusion in this report have not been included. (The State's support of the public education system is reported in the Education 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 Utah Schools for the Deaf and Blind are included as component units due to the level of budget or day-to-day oversight provided by the State. The Governor-appointed board members of the Military Installation Development Authority, Heber Valley Historic Railroad Authority and Utah State Fair Corporation 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.

Military Installation Development Authority — The Authority is an independent, nonprofit entity whose purpose is to provide for the development and improvement of project areas near military installations throughout the State.

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 issues a separate publicly available compilation report.

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

Colleges and Universities — Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley University, Dixie State College of Utah, Snow College, and the Utah College of Applied Technology. Separate audited financial statements are issued for the branch campuses of the Utah College of Applied Technology.

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.

Utah Educational Savings Plan Trust (Private Purpose Trust Fund) — This Fund is a non-profit, self-supporting agency that was created as a means to encourage investment in a public trust to pay for future higher education costs. It is administered by the Utah State Board of Regents acting in its capacity as the Utah Higher Education Assistance Authority. Because of the State's trustee responsibilities for this plan, GAAP requires it to be reported as a private purpose trust fund of the primary government rather than a discrete component unit.

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

- **Education Fund**. This special revenue fund accounts for all corporate taxes, income taxes, and revenues from taxes on intangible property that support public and higher education. Specific revenues that support public elementary and secondary schools in the State are also reported in the Education Fund.

- **Transportation Fund**. This special revenue fund accounts for dedicated highway user taxes, fees, and federal funds associated with construction, maintenance, and repair of state highways and local roads.

- **Transportation Investment Fund**. This capital projects fund accounts for vehicle registration fees, sales and use taxes, bond proceeds, and federal funds used in the construction and reconstruction of specific highway projects. Projects designated as Centennial Highway or prioritized as critical highway needs are accounted for within this fund.

- **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 restricted or committed 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 resources used for capital outlays including the acquisition, construction, or improvement of capital facilities other than those financed by the Transportation Investment fund, proprietary funds or assets held in trust. The debt service funds account for resources used for the payment of interest and principal on general long-term debt obligations.

Proprietary Fund Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating. 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 guarantee the repayment of student loans made by participating lenders to eligible borrowers and service outstanding student loans.

- **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.

- **Community Impact Loan Fund.** This fund provides loans to local governments to alleviate the social, economic, and public financial impacts resulting from the development of the State's natural resources. This fund also administers loans to small businesses under the Small Business Credit Initiative.

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

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, general services, fleet operations, risk management, property management, and human resource management. In the government-

wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Financial Statements

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

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

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

Private Purpose Trust Funds — These funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include the Utah Navajo Royalties Holding 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), Utah Dairy Commission, and the Federal Health Insurance Pool (nonmajor enterprise funds), 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 (major 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 (major 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) had five types of derivative financial instruments at yearend: futures, currency forwards, options, swaps, and Synthetic Guaranteed Investment Contracts. 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. Options give the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Interest rate swap agreements are entered into in an attempt to manage their exposure to interest rate risk. Interest rate risk represents the exposure to fair value losses arising from the future changes in prevailing market interest rates. Synthetic Guaranteed Investment Contracts are available to members in the Utah Retirement Systems Defined Contribution Plans. The Student Assistance Program (major proprietary fund) entered into an interest rate exchange (swap) agreement relating to some of its student loan

revenue bonds. The Board accounts for the swap agreement as a fair value hedging derivative instrument to create a variable rate cost of funds that will be lower than the variable rate cost achievable in the cash bond market. Utah Housing Corporation (major component unit) enters into various rate swap contracts as part of its overall funding strategy. The Corporation sells variable rate bonds, although to manage the inherent interest rate risk associated with variable rate debt, it enters into pay fixed, receive variable 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.

Receivables for capital lease payments, as reported in the governmental activities, are direct financing capital lease arrangements between State Building Ownership Authority (blended component unit) and certain College and Universities (discrete component units). The capital lease receivable is reported net and represents the sum of the future minimum lease payments to be received, less any executory costs and any unearned interest revenue on the capital lease. Receivables from the discrete component unit are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

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 and state park inventories (reported in the General Fund), that are recorded as expenditures when consumed. Both Transportation Fund inventories and state park inventories are valued using a weighted average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid items for the Student Assistance Programs (major enterprise fund) are primarily federal default fees charged at the time loan proceeds are disbursed and amortized over the estimated lives of the loans using an accelerated method of amortization beginning 36 months from the date the federal default fee is paid by the program.

Capital Assets

Capital assets, which include land and related assets, buildings, equipment, intangible assets (software), 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 and internally generated software, 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. Internally generated software is capitalized if the cost is over $500 thousand. 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 assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

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

Most works of art and historical treasures of the primary government 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 (major 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; however, 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. See Note 10 for additional information about policy claims liabilities.

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 (major 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, 2012, the total estimated arbitrage rebate liability in the Student Assistance Programs (major enterprise fund) was $10 million, of which $10 million represents yield reduction payments and there was no 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 Employee Other Postemployment Benefit Plan (State Employee OPEB Plan, a single-employer defined benefit healthcare 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 Health Reimbursement Arrangement administered by Utah Retirement Systems. The Annual Required

Contribution (ARC) needed to fund current and future liabilities of the State Employee OPEB Plan is provided by charges to agency budgets. The ARC is deposited and payments of postemployment health and life insurance benefits to retirees are made from the State Post-Retirement Benefits Trust Fund. See Note 17 for additional information about the State Employee OPEB Plan administered as an irrevocable trust.

The State of Utah also administers the Elected Official OPEB Plan, a single-employer defined benefit healthcare plan from a recently created irrevocable trust. Only governors and legislators (elected officials) that retire after January 1, 1998 and have four or more years of service can elect to receive and apply for this benefit. To qualify for health coverage, elected officials must be between 62 and 65 years of age and either be active members at the time of retirement or have continued coverage with the program until the date of eligibility. In addition, to qualify for health coverage, elected officials must begin their service prior to January 1, 2012. To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. In addition, the elected official must retire under Chapter 19, *Utah Governors' and Legislators' Retirement Act*, and begin service prior to July 1, 2011. The State will pay a portion or all the health benefit costs for the elected official and spouse based on years of service. See Note 17 for additional information.

For administrative purposes, the State maintains compensated absences pools within the General Fund, Education 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 State Employee 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 nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted balances represent those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes, by directive of the Executive Appropriations Committee of the Legislature or in some cases by legislation. See Note 11 for additional information about fund balances.

The State maintains two stabilization accounts: (1) the General Fund Budget Reserve Account in the General Fund (the "Rainy Day Fund") reported as committed fund balance; and (2) the Education Budget Reserve Account in the Education Fund (the "Education Reserve") reported as restricted fund balance. The resources of both accounts may only be expended when specific non-routine budget shortfalls occur and upon appropriation by the Legislature. See Note 11 for additional information about the stabilization accounts.

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. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's general policy to spend committed 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 and unrestricted-committed 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, 2012, the State reported revenue and expenditures of $21.573 million for commodities in the General Fund, and $17.252 million for commodities in the Education Fund (special revenue fund).

Investment Income

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

In accordance with state law, interest and dividend income from investments in the Trust Lands permanent fund and the State Endowment Fund (nonmajor governmental fund) is assigned to and reported directly in the Education Fund and the General Fund, respectively. One half of the applicable income reported in the

General Fund is then transferred into the State Endowment Fund to increase the principal in the fund as required by state law.

Retirement and Employee Benefit Costs

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

G. **Interfund Transactions**

Government-wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

H. **Future Changes in Accounting Standards**

The governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of these Statements are effective for fiscal years 2013 and 2014 respectively. In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, effective for fiscal years 2014 and 2015 respectively.

These new accounting and reporting standards may impact the State's recognition and timing of assets and liabilities in government-wide and/or fund financial statements. The requirements of these statements may require restating of beginning net assets and fund balances. The State is currently not planning to early implement these Statements, and has made no estimation of the effect these Statements will have on the financial statements.

NOTE 2. BEGINNING NET ASSET ADJUSTMENTS AND OTHER CHANGES

In evaluating fund type classifications, it was determined the Transportation Investment Fund, which was previously reported as a special revenue fund (major governmental fund), should be reported as a capital project fund (major governmental fund) to accurately account for capital outlay financed in part from the proceeds of general obligation debt. This change had no impact on beginning net assets or governmental activities as reported on the prior year Statement of Activities.

In discussions with Utah State University, it was determined that a research facility, completed in fiscal year 2011, should be included in the University's financial statements since control and use of the facility rests with the University (major component unit) and not with the governmental activities of the primary government. As a result, a prior period adjustment to beginning net assets of governmental activities reported on the government-wide Statement of Activities resulted in a net decrease of $56.010 million. In addition, a liability due to the primary government as part of the University's financial participation in the research facility was removed from the University's financial statements. As a result, the total prior period adjustment to beginning net assets of component unit activities reported on the government-wide Statement of Activities and the Combining Statement of Activities – Component Units was an increase of $62.450 million. Had these changes been made in the prior year, there would have been no effect on the prior year Statement of Activities. The effects on beginning amounts reported for capital assets of the primary government are described in Note 8.

The Utah Housing Corporation (major component unit) changed its method of accounting for conduit debt by removing the related balances from the financial statements and disclosing the balance in the footnotes. The reason for this change included comparability to other housing finance agencies, the nature of the transactions, and the information received from outside parties. This change had no impact on component unit beginning net assets or activities as reported on the prior year Statement of Activities.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments for the primary government and its discrete component units are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council. However, the Act also permits certain funds that have a long-term perspective to make investments of a long-term nature, such as equities and bond mutual funds. In the primary government these are the State Endowment (special revenue fund), Employers' Reinsurance Trust (private purpose trust), and Utah Educational Savings Plan Trust (private

purpose trust). Exempt from the Act in the primary government are the Trust Lands (permanent fund), Utah Retirement Systems and employee benefit trust funds). The discrete component units exempt from the Act are Utah Housing Corporation, Public Employees Health Program, and the college and universities' endowment funds.

A. **Primary Government**

Custodial Credit Risk — Deposits

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

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2012, were $773.563 million. These deposits are exposed to custodial credit risk as follows:

- $104.151 million were exposed to custodial credit risk as uninsured and uncollateralized.
- Exposure to custodial credit risk cannot be determined for $493.278 million of the primary government deposits which are in an FDIC-Insured Savings account at Zions First National Bank (Bank) for Account Owners in the Utah Educational Savings Plan Trust (UESP) (private purpose trust). Contributions to and earnings on the FDIC-insured savings account are insured by the FDIC on a pass-through basis to each Account Owner up to the maximum amount set by federal law. The amount of FDIC insurance provided to an individual is based on the total of (1) the value of an Account Owner's investments in the UESP's FDIC-insured savings account plus (2) the value of other accounts held (if any) at the Bank, as determined by the Bank and by FDIC regulations. It is the Account Owner's responsibility to determine how investments in the savings account would be aggregated with other investments at the Bank for purposes of FDIC insurance.

Investments

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

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable 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 Services 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; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund.

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, 2012, 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)
At June 30, 2012
(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
Debt Securities					
U.S. Treasuries	$ 8,724	$ 6,691	$ 1,973	$ 60	$ —
U.S. Agencies	25,229	1,095	23,325	—	809
Corporate Debt	7,861,549	7,828,912	32,637	—	—
Negotiable Certificates of Deposit	179,671	179,671	—	—	—
Money Market Mutual Funds	1,153,772	1,153,772	—	—	—
Municipal/Public Bonds	3,174	—	—	874	2,300
Commercial Paper	477,314	477,314	—	—	—
Bond Mutual Funds *	918,291	—	—	918,291	—
Repurchase Agreements	619	—	619	—	—
Total Debt Securities Investments	10,628,343	$ 9,647,455	$ 58,554	$ 919,225	$ 3,109
Other Investments					
Equity Securities	10,031				
Equity Mutual Funds Securities:					
Domestic	4,137,940				
International	628,912				
U.S. Unemployment Trust Pool	415,735				
Real Estate Held for Investment Purposes	112,966				
Real Estate Joint Ventures	7,262				
Component Units Investment in Primary Government's Investment Pool	(670,383)				
Total Investments	$15,270,806				

* At June 30, 2012, the bond mutual funds had an average effective maturity of 7.2 years.

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

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) – $3,255.351 million, 77 percent, in domestic equity mutual fund securities; $483.681 million, 11.5 percent, in bond mutual funds; $374.748 million, 8.9 percent, in international equity mutual fund securities; and $111.806 million, 2.6 percent, in the Utah Public Treasurer's Investment Fund.
- Trust Lands (permanent fund) – $630.253 million, 46.5 percent, in domestic equity mutual fund securities; $343.830 million, 25.3 percent, in bond mutual funds; $254.164 million, 18.8 percent, in international equity mutual fund securities; $119.361 million, 8.8 percent in real estate; and $8.206 million, 0.6 percent, in the Utah Public Treasurer's Investment Fund.
- State Post-Retirement Benefits Trusts (pension and other employee benefit trust funds) – $79.297 million, 55.4 percent, in domestic equity mutual fund securities; $51.661 million, 36.1 percent, in bond mutual funds; and $12.188 million, 8.5 percent, in the Utah Public Treasurer's Investment Fund.
- State Endowment Fund (special revenue fund) – $52.984 million, 43 percent, in domestic equity mutual fund securities; and $39.12 million, 31.8 percent, in bond mutual funds; $31.015 million, 25.2 percent, in the Utah Public Treasurer's Investment Fund.
- Student Assistance Programs (major enterprise fund) – $119.902 million, 41.6 percent, in domestic equity mutual fund securities; $167.089 million, 57.9 percent, in the Utah Public Treasurer's Investment Fund; and $1.428 million, 0.5 percent, in U.S. treasuries/agencies.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Investments at Fair Value
At December 31, 2011
(Expressed in Thousands)

Investment Type	Defined Benefit	Defined Contribution	Total All Systems and Plans
Debt Securities – Domestic	$ 2,285,172	$ 1,425,826	$ 3,710,998
Debt Securities – International	751,602	88,670	840,272
Equity Securities – Domestic	3,976,849	827,239	4,804,088
Equity Securities – International	2,643,728	616	2,644,344
Short-term Securities Pools	1,017,405	8,329	1,025,734
Mortgage Loans:			
Real Estate Notes	6,845	—	6,845
Real Assets	2,885,926	39,955	2,925,881
Alternative Investments (Venture Capital)	2,254,396	—	2,254,396
Absolute Return	3,286,714	—	3,286,714
Mutual Fund – Domestic	—	498,303	498,303
Collective Investment Trust – International	—	296,534	296,534
Investments Held by Broker-dealers Under Securities Lending Program:			
U.S. Government and Agency Securities	802,588	—	802,588
Corporate Debt Securities – Domestic	50,060	—	50,060
Debt Securities – International	132,591	—	132,591
Equity Securities – Domestic	599,149	—	599,149
Equity Securities – International	103,317	—	103,317
Total Investments	20,796,342	3,185,472	23,981,814
Securities Lending Collateral Pool	1,732,651	—	1,732,651
Total Investments	$ 22,528,993	$ 3,185,472	$ 25,714,465

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 days – 13 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. Funds that follow Rule 2 of the Money Management Council may not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

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

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

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

The URS compares an investment's effective duration against the Barclays Capital US Aggregate Index for domestic debt securities and the Barclays Capital Global Aggregate Index for international debt securities, and the Barclays Capital Global Inflation Bond Index (USD hedged) for inflation-linked debt securities. The index range at December 31, 2011, was 3.76–6.27 for domestic debt securities, 2.95–8.86 for international debt securities and 8.77–13.15 for inflation-linked debt securities. At December 31, 2011, no individual debt security investment manager's portfolio was outside of the policy guidelines. At December 31, 2011, the following tables show the investments by investment type, amount, and the effective weighted duration.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, Domestic
At December 31, 2011
(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	$ 87,103	1.68	$ 60,435	0.75	$ 147,538
Commercial Mortgage-backed	111,963	2.86	119,957	2.71	231,920
Corporate Bonds	516,609	5.20	352,658	4.74	869,267
Corporate Convertible Bonds	3,438	0.88	—	—	3,438
Fixed Income Derivatives – Futures	(476,753)	4.92	—	—	(476,753)
Fixed Income Derivatives – Options	35	NA	—	—	35
Fixed Income Futures	476,753	NA	—	—	476,753
Government Agencies	101,509	4.32	274,104	2.13	375,613
Government Bonds	828,102	7.03	24,644	0.44	852,746
Government Mortgage-backed Securities	971,337	1.88	288,372	2.06	1,259,709
Gov't Issued Commercial Mortgage-backed	1,441	4.86	—	—	1,441
Funds – Corporate Bond	85,650	NA	—	—	85,650
Guaranteed Fixed Income	1,443	1.45	—	—	1,443
Index Linked Government Bonds	270,882	5.60	—	—	270,882
Municipal/Provincial Bonds	14,722	11.95	32,213	9.76	46,935
Non-government Backed C.M.O.s	156,375	2.24	—	—	156,375
Other Fixed Income	14	NA	40,521	NA	40,535
Collateral Held Elsewhere	1,010	NA	—	—	1,010
Other Options	(14,252)	NA	—	—	(14,252)
Swap Liabilities	(148)	NA	—	—	(148)
Swaps	589	NA	—	—	589
Treasury Inflation Protected Securities	—	—	18,789	4.04	18,789
Treasury Notes	—	—	200,608	4.21	200,608
Whole loan C.M.O.s	—	—	13,525	0.53	13,525
Total Debt Securities Investments, Domestic	$ 3,137,822	4.33	$ 1,425,826	3.13	$ 4,563,648

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, International
At December 31, 2011
(Expressed in Thousands)

	Defined Benefit Plans		Defined Contribution Plans		
	Fair Value	**Effective Weighted Duration**	**Fair Value**	**Effective Weighted Duration**	**All Systems and Plans**
Asset Backed Securities	$ 1,010	0.48	$ —	—	$ 1,010
Corporate Bonds	240,690	4.41	13,515	6.36	254,205
Fixed Income Derivative – Futures	(78,527)	7.01	(12,107)	6.33	(90,634)
Fixed Income Futures	78,527	NA	12,107	NA	90,634
Government Agencies	12,001	2.93	238	3.80	12,239
Government Bonds	274,977	5.73	40,401	7.93	315,378
Index Linked Government Bonds	340,877	7.55	28,385	7.12	369,262
Municipal/Provincial Bonds	7,761	2.85	—	—	7,761
Non-government Backed C.M.O.s	6,592	0.05	2,848	0.16	9,440
Other Options	285	NA	3,283	0.09	3,568
Total	$ 884,193	5.86	$ 88,670	6.02	$ 972,863

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, 2012, 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)
At June 30, 2012
(Expressed in Thousands)

	Fair	Quality Ratings			
Debt Investments	**Value**	**AAA**	**AA**	**A**	**BBB**
U.S. Agencies	$ 25,229	$ 90	$ 24,330	$ —	$ —
Corporate Debt	$ 7,861,549	$ —	$ 764,741	$ 5,999,990	$ 1,096,818
Negotiable Certificates of Deposit	$ 179,671	$ —	$ 50,060	$ 129,348	$ —
Money Market Mutual Funds	$ 1,153,772	$ 3,772	$ —	$ —	$ 100,000
Municipal/Public Bonds	$ 3,174	$ 1,418	$ 1,756	$ —	$ —
Commercial Paper	$ 477,314	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 918,291	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Treasuries	$ 619	$ —	$ —	$ —	$ —

Continues Below

	Quality Ratings		
Debt Investments	**A1 ***	**A2 ***	**Unrated**
U.S. Agencies	$ —	$ —	$ 809
Corporate Debt	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —	$ 263
Money Market Mutual Funds	$ —	$ —	$ 1,050,000
Municipal/Public Bonds	$ —	$ —	$ —
Commercial Paper	$ 317,436	$ 159,878	$ —
Bond Mutual Funds	$ —	$ —	$ 918,291
Repurchase Agreements – Underlying:			
U.S. Treasuries	$ —	$ —	$ 619

***** A1 and A2 are Commercial Paper ratings

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 gradeS&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, 2011, is AAA and the fair value of below grade investments is $207.821 million or 6.62 percent of the domestic portfolio. The weighted quality rating average of the international debt securities investments, at December 31, 2011, is AA+ and the fair value of below grade investments is $42.444 million or 4.8 percent of the international portfolio.

The following table presents the URS credit risk ratings as of December 31, 2011:

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments at Fair Value
At December 31, 2011
(Expressed in Thousands)

	Defined Benefit Plans			Defined Contribution Plans			Total All Systems
Quality Rating	**Domestic**	**International**	**Total**	**Domestic**	**International**	**Total**	**and Plans**
AAA	$ 1,064,767	$ 506,015	$ 1,570,782	$ 133,484	$ 35,097	$ 168,581	$ 1,739,363
AA+	133,504	1,152	134,656	32,393	13,110	45,503	180,159
AA	15,319	7,793	23,112	56,656	999	57,655	80,767
AA–	18,415	105,736	124,151	1,306	18,305	19,611	143,762
A+	42,237	22,597	64,834	37,520	1,204	38,724	103,558
A	84,311	20,504	104,815	36,879	3,546	40,425	145,240
A–	171,716	90,451	262,167	25,172	2,898	28,070	290,237
BBB+	86,960	27,096	114,056	166,515	5,377	171,892	285,948
BBB	80,239	35,966	116,205	50,598	2,549	53,147	169,352
BBB–	49,188	21,474	70,662	26,541	1,575	28,116	98,778
BB+	14,279	14,142	28,421	22,084	753	22,837	51,258
BB	10,447	—	10,447	7,841	—	7,841	18,288
BB–	9,681	14,349	24,030	—	—	—	24,030
B+	353	—	353	23,342	120	23,462	23,815
B	14,074	—	14,074	—	—	—	14,074
B–	8,510	2,702	11,212	—	—	—	11,212
CCC+	3,778	444	4,222	—	—	—	4,222
CCC	26,482	—	26,482	—	—	—	26,482
CCC–	3,588	—	3,588	—	—	—	3,588
CC	10,411	—	10,411	—	—	—	10,411
D	5,503	—	5,503	—	—	—	5,503
NR	100,715	11,250	111,965	23,623	2,757	26,380	138,345
Total Credit Risk Debt Securities	1,954,477	881,671	2,836,148	643,954	88,290	732,244	3,568,392
U.S. Government and Agencies *	1,182,733	—	1,182,733	781,872	380	782,252	1,964,985
Pooled Investments	612	2,522	3,134	—	—	—	3,134
Total Debt Securities Investments	$ 3,137,822	$ 884,193	$ 4,022,015	$ 1,425,826	$ 88,670	$ 1,514,496	$ 5,536,511

* U.S. Government and Agencies investments are comprised of 53 percent Fannie Mae, 19 percent Federal Home Loan Mortgage Company, and 9 percent Ginnie Mae government mortgage backed securities and 19 percent in U.S. Treasury Bonds. Implicitly guaranteed government agencies and instrumentalities are included in the quality ratings above.

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, 2012, 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 $619 thousand 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, 2011, the URS investments were registered in the name of URS and held by their custodians; however, there is $12.104 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 $82.962 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, 2012, with more than 5 percent of the total investments in a single issuer.

The Utah Retirement Systems debt securities investments had no single issuer investments at December 31, 2011, that exceed their diversified portfolio by sector and by issuer using the following guidelines:

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

Foreign Currency Risk — Investments

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

The Utah Educational Savings Plan Trust (private purpose trust) has $374.748 million and the Trust Lands (permanent fund) has $254.164 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, 2011
(Expressed in Thousands)

	Defined Benefit Plans				Defined Contribution Plans			Total All Systems
Currency	**Short Term**	**Debt**	**Equity**	**Total**	**Equity**	**Debt**	**Total**	**And Plans**
ADR* US dollar	$ —	$ 6,787	$ 829,319	$ 836,106	$ 6,278	$ 23,470	$ 29,748	$ 865,854
Argentine peso	—	—	1,442	1,442	—	—	—	1,442
Australian dollar	1,755	28,586	69,504	99,845	17,593	1,307	18,900	118,745
Bahraini – US dollar	—	1,531	—	1,531	6	—	6	1,537
Bermuda – US dollar	—	1,766	—	1,766	1,185	58	1,243	3,009
Brazilian real	—	12,837	6,225	19,062	9,359	405	9,764	28,826
British pound sterling	4,199	243,948	361,292	609,439	42,989	9,192	52,181	661,620
Canadian dollar	763	67,475	118,704	186,942	25,165	6,069	31,234	218,176
Cayman Islands dollar	—	3,698	—	3,698	2,057	157	2,214	5,912
Chilean peso	—	848	—	848	1,195	645	1,840	2,688
Chinese yuan renminbi	—	—	24,989	24,989	7,927	—	7,927	32,916
Columbian peso	—	—	—	—	589	—	589	589
Congolese franc	—	—	—	—	10	—	10	10
Croatian kuna	—	5,114	—	5,114	—	—	—	5,114
Czech koruna	—	—	—	—	232	—	232	232
Danish krone	111	700	11,519	12,330	2,182	—	2,182	14,512
Egyptian pound	—	—	—	—	211	—	211	211
Euro	8,758	244,273	530,390	783,421	55,657	19,760	75,417	858,838
French Pacific franc	—	—	—	—	6	—	6	6
Gibraltar pound	—	—	—	—	33	—	33	33
Guernsey pound	—	203	—	203	—	—	—	203
Hong Kong dollar	1,099	4,565	55,673	61,337	6,922	—	6,922	68,259
Hungarian forint	—	9,449	—	9,449	179	(590)	(411)	9,038
Icelandic krona	—	2,152	—	2,152	—	—	—	2,152
Indian rupee	25	2,737	18,188	20,950	4,189	—	4,189	25,139
Indonesian rupiah	—	—	—	—	2,155	—	2,155	2,155
Isle of Man pound	—	—	—	—	134	—	134	134
Japanese yen	3,849	77,490	428,307	509,646	44,766	20,753	65,519	575,165
Korean won	—	8,724	30,913	39,637	10,273	—	10,273	49,910
Latvian lat	—	828	—	828	—	412	412	1,240
Malaysian ringgit	—	1,986	9,507	11,493	2,578	—	2,578	14,071
Mauritian rupee	—	—	1,134	1,134	67	2,286	2,353	3,487
Mexican peso	—	18,269	—	18,269	2,982	—	2,982	21,251
Moroccan dirham	—	—	—	—	100	—	100	100
Netherlands Antillean gulden	—	3,382	—	3,382	—	—	—	3,382
New Israeli shekel	69	6,026	15,599	21,694	1,378	—	1,378	23,072
New Zealand dollar	58	—	678	736	362	109	471	1,207
Norwegian krone	92	21,166	11,867	33,125	1,785	897	2,682	35,807
Peruvian nuevo soles	—	—	685	685	183	—	183	868
Philippines peso	—	—	3,076	3,076	528	—	528	3,604
Polish zloty	—	12,583	—	12,583	893	869	1,762	14,345
Qatari riyal	—	931	—	931	—	313	313	1,244
Russian Federation ruble	—	8,946	—	8,946	3,798	—	3,798	12,744
Singaporean dollar	114	29,536	27,581	57,231	3,249	1,427	4,676	61,907
South African rand	—	—	—	—	5,399	195	5,594	5,594
Swedish krona	685	37,191	31,729	69,605	6,049	1,544	7,593	77,198
Swiss franc	797	17,734	149,151	167,682	16,279	(846)	15,433	183,115
Taiwanese new dollar	6	—	2,212	2,218	7,850	—	7,850	10,068
Thai baht	—	—	1,934	1,934	1,466	—	1,466	3,400
Turkish lira	—	—	2,945	2,945	912	—	912	3,857
United Arab Emirates dirham	—	2,325	2,482	4,807	—	—	—	4,807
Venezuelan bolivar	—	407	—	407	—	238	238	645
Total Securities Subject to Foreign Currency Risk…	$ 22,380	$ 884,193	$ 2,747,045	$ 3,653,618	$ 297,150	$ 88,670	$ 385,820	$ 4,039,438

* American Depository Receipts

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, 2012, were $244.547 million. Of these, $191.45 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' debt investments at June 30, 2012, are presented below.

Component Units Debt Securities Investments
At June 30, 2012
(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	$ 419,898	$ 269,207	$ 148,941	$ 1,181	$ 569	$ —
U.S. Agencies	877,775	318,100	190,227	127,726	176,228	65,494
Corporate Debt	358,910	141,517	122,953	77,975	14,490	1,975
Commercial Paper	32,750	32,750	—	—	—	—
Money Market Mutual Funds	375,647	375,647	—	—	—	—
Negotiable Certificates of Deposit	4,744	3,213	1,531	—	—	—
Municipal/Public Bonds	26,089	—	3,719	8,322	13,972	76
Repurchase Agreements	55,025	55,025	—	—	—	—
Guaranteed Investment Contracts	114,037	—	14,907	—	99,130	—
Bond Mutual Funds	249,785	13,123	32,728	198,732	5,071	131
Securities Lending Cash Collateral Pool	28,619	28,619	—	—	—	—
Utah Public Treasurer's Investment Fund	670,383	670,383	—	—	—	—
Total Debt Securities Investments	3,213,662	$ 1,907,584	$ 515,006	$ 413,936	$ 309,460	$ 67,676
Other Investments						
Equity Securities	24,031					
Equity Mutual Funds Securities:						
Domestic	72,801					
International	2,218					
Alternatives	10,964					
Total Investments	$ 3,323,676					

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, 2012, 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
At June 30, 2012
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 877,775	$ 392,067	$ 471,812	$ 12,737	$ 1,159
Corporate Debt	$ 358,910	$ 2,096	$ 30,464	$ 240,368	$ 53,856
Commercial Paper	$ 32,750	$ —	$ —	$ —	$ —
Money Market Mutual Funds	$ 375,647	$ 233,178	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ 4,744	$ 483	$ —	$ 2,907	$ —
Municipal/Public Bonds	$ 26,089	$ 12,489	$ 13,600	$ —	$ —
Guaranteed Investment Contracts	$ 114,037	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 249,785	$ —	$ 83,623	$ 1,146	$ 684
Securities Lending Cash Collateral Pool	$ 28,619	$ —	$ —	$ —	$ —
Utah Public Treasurer's Investment Fund	$ 670,383	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Agencies	$ 33,682	$ —	$ 29,000	$ —	$ —
Money Market Mutual Funds	$ 21,343	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings BB	B	A1 *	Unrated
U.S. Agencies	$ —	$ —	$ —	$ —
Corporate Debt	$ 9,473	$ 955	$ —	$ 21,698
Commercial Paper	$ —	$ —	$ 32,750	$ —
Money Market Mutual Funds	$ —	$ —	$ —	$ 142,469
Negotiable Certificates of Deposit	$ —	$ —	$ —	$ 1,354
Municipal/Public Bonds	$ —	$ —	$ —	$ —
Guaranteed Investment Contracts	$ —	$ —	$ —	$ 114,037
Bond Mutual Funds	$ 456	$ —	$ —	$ 163,876
Securities Lending Cash Collateral Pool	$ —	$ —	$ —	$ 28,619
Utah Public Treasurer's Investment Fund	$ —	$ —	$ —	$ 670,383
Repurchase Agreements – Underlying:				
U.S. Agencies	$ —	$ —	$ —	$ 4,682
Money Market Mutual Funds	$ —	$ —	$ —	$ 21,343

***** 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, 2012, 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	$ 338,957
U.S. Agencies	$ 714,999
Corporate Debt	$ 70,472
Equity Securities – Domestic	$ 5,618
Municipal/Public Bonds	$ 15,922

Counterparty's Trust Department or Agent	
U.S. Treasuries	$ 53,481
U.S. Agencies	$ 1,003
Corporate Debt	$ 79,141
Repurchase Agreements	$ 21,343

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, CDC Guaranteed Investment Contracts, and Trinity investments. These investments are 11.1 percent, 9.39 percent, and 11.23 percent, respectively, of the Corporation's total investments.

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

The University of Utah held more than 5 percent in the Federal Home Loan Bank and the Federal Farm Credit Bank. This investment represents 20.1 percent and 8.4 percent, respectively, of the University's total investments.

Utah State University held more than 5 percent of total investments in securities of the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. These investments represent 9.08 percent, 8.74 percent and 13.3 percent, respectively; of the University's total investments.

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. Dixie State College of Utah's Foundation (nonmajor component unit) has $2.218 million invested in international equities and, as such, no currency denomination is presented.

C. Securities Lending

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) and the Public Employees Health Program (PEHP) (major 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 (respectively for URS and PEHP) and 105 percent of the market value of the international securities on loan (URS only), with a simultaneous agreement to return the collateral for the same securities in the future. For both state entities, their custodial bank is the agent for its securities lending program. Securities under loan are maintained in the financial records, and corresponding liabilities are recorded for market value of the collateral received.

At yearend, neither the Utah Retirement Systems nor Public Employees Health Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.688 billion and $28.235 million, respectively, and the collateral received for those securities on loan was $1.733 billion and $28.619 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. All derivatives are considered investments. The fair value of all derivative financial instruments is reported in the Statements of Fiduciary Net Assets–Pension and Other Employee Benefit Trust Funds. By policy, portfolio liabilities associated with investments shall be backed by cash equivalents or deliverable securities. URS does not have a policy regarding master netting arrangements. At December 31, 2011, URS had five types of derivative financial instruments: futures, currency forwards, options, swaps, and Synthetic Guaranteed Investment Contracts.

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 or losses in the Statement of Changes in Fiduciary Net Assets. At December 31, 2011 and December 31, 2010, URS' investments had the following notional futures balances as shown in the table below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Futures — Notional Value
At December 31
(Expressed in Thousands)

	Defined Benefit Plans		Defined Contribution Plans	
	2011	**2010**	**2011**	**2010**
Cash and Cash Equivalent				
Derivative Futures:				
Short	$ (66,714)	$ —	$ (3,639)	$ —
Equity				
Derivative Futures:				
Long	945,839	810,942	22,360	—
Short	—	(539,318)	—	—
Fixed Income				
Derivative Futures:				
Long	192,591	230,455	6,330	—
Short	(762,049)	(930,580)	(18,436)	—
Total Futures	$ 309,667	$ (428,501)	$ 6,615	$ —

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rates on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At December 31, 2011 and December 31, 2010, URS investments included the following currency forwards balances (expressed in thousands):

Currency Forwards	**2011 Fair Value**	**2010 Fair Value**
Forwards Subject to Foreign Currency Risk (pending foreign exchange sales):		
Defined Benefit Plans	$ 9,119	$ 5,003
Defined Contribution Plans	493	(3)
Total Currency Forwards	$ 9,612	$ 5,000

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, URS receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, URS pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At December 31, 2011 and December 31, 2010, URS investments had the following options balances (expressed in thousands):

Options	**2011 Notional Market Value**	**2010 Notional Market Value**
Fixed Income:		
Call	$ 35	$ —
Swaptions:		
Call	(13,524)	(4,132)
Put	(443)	(1,995)
Total Options	$ (13,932)	$ (6,127)

URS has entered into various inflation and interest rate swap agreements in an attempt to manage their exposure to inflation and interest rate risk. Inflation risk represents the exposure to fair value losses arising from inflation, while interest rate risk represents the exposure to fair value losses arising from the future changes in prevailing market interest rates. Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counter party who, in turn, agrees to make return interest payments that float with some reference rate. In an inflation swap one party pays a fixed rate on a notional principal amount to a counterparty, who in turn agrees to make return payments associated with a floating rate linked to an inflation index. Most of the interest rate swaps were purchased in connection with variable real estate debt. Those interest rate swaps allowed URS to effectively convert most of their long-term variable interest rate credit facility loans into fixed interest rate loans, thereby mitigating some of their interest rate risk. All swap instruments contain collateral clauses. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Assets. Swap market values are determined by an independent third party. At December 31, 2011 and December 31, 2010, URS investments had the swap market value balances as shown in the table below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Interest Rate Swaps
At December 31, 2011
(Expressed in Thousands)

	Outstanding Notional Amount*	URS Rate	Counterparty Rate	Maturity Date	2011 Fair Value	2010 Fair Value
Real Estate Portfolio Interest Rate Swaps:*****	$1,072,693	4.308 % – 5.464 %	One Month LIBOR**	2012–2021	$ (107,338)	$ (106,499)
Fixed Income Portfolio Interest Rate Swaps:	$ 115,039	0.9375 % – 5.503 %	Three Month LIBOR**	2012–2041	$ (166)	$ 4,629
	189,000	Three Month LIBOR**	0.739 % – 4.057 %	2013–2040	589	(38)
	5,010	USCPIU***	2.650 % – 2.940 %	2020–2030	—	25
	2,100	1.907 % (EUR)	Six Month EURIBOR****	2016	24	—
Total Fixed Income Interest Rate Swaps	$ 311,149				$ 447	$ 4,616

* Base used to calculate interest
** London Interbank Offered Rate (LIBOR)
*** USCPI Urban Consumer Not Seasonally Adjusted Index (USCPIU)
**** Euro Interbank Offered Rate (EURIBOR)
***** The $1.073 billion includes $284.25 million of Real Estate Portfolio Swaps that expired in 2011

Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. The maximum loss that would be recognized at December 31, 2011, if all counterparties fail to perform as contracted is $1.15 billion. The maximum exposure is reduced by $1.257 billion of liabilities, resulting in no net exposure to credit risk. Credit ratings for the wrap contracts associated with the Synthetic Guaranteed Investment Contracts are noted below. At December 31, 2011, the counterparties' credit ratings for currency forwards, swaptions, and swaps are subject to credit risk as shown in the table below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Credit Risk Derivatives at Fair Value
At December 31, 2011
(Expressed in Thousands)

Quality Rating	Forwards	Options	Swaps	Total
AA	$ 1,188	$ —	$ —	$ 1,188
AA–	(486)	—	(7,636)	(8,122)
A+	8,311	(11,281)	(680)	(3,650)
A	586	—	6	592
A–	13	(2,686)	(98,581)	(101,254)
N/A	—	35	—	35
Total	$ 9,612	$ (13,932)	$ (106,891)	$ (111,211)

In the URS Defined Contribution Plans, members are able to participate in Synthetic Guaranteed Investment Contracts (SGICs). The SGICs are fully benefit responsive which means that URS is prohibited from assigning and selling the contract or its proceeds to a third party without the consent of the issuer. Prospective interest crediting rate adjustments are provided to plan participants. The SGICs provide assurance that the probability of future rate adjustments resulting in an interest crediting rate less than zero is remote. The underlying investments are high credit quality averaging AA– and therefore credit loss is remote. The terms of the SGICs require all plan participants to initiate transactions within the fund at contract value. The contract value is the fair value (cost plus accrued interest). The fair value of these contracts at December 31, 2011 is $856.293 million and the market value is $887.734 million. Credit ratings for the wrap contracts associated with the Synthetic Guaranteed Investment Contracts are also noted below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Synthetic Guaranteed Investment Contracts Underlying Investments
At December 31, 2011
(Expressed in Thousands)

	1–5 Year Government Credit		Intermediate Government Credit		Total Underlying Investments	
	Fair Value	Market Value	Fair Value	Market Value	Fair Value	Market Value
Asset Backed Securities	$ 32,838	$ 33,445	$ 19,173	$ 20,388	$ 52,011	$ 53,833
Agencies	168,104	171,211	96,595	102,715	264,699	273,926
Corporates	65,828	67,045	61,033	64,900	126,861	131,945
Mortgage Backed Securities	62,372	63,524	16,911	17,983	79,283	81,507
Treasuries	93,380	95,106	109,053	115,962	202,433	211,068
Commercial Mortgage Back Securities	83,569	85,113	32,778	34,855	116,347	119,968
Cash	2,237	2,278	12,422	13,209	14,659	15,487
Total	$ 508,328	$ 517,722	$ 347,965	$ 370,012	$ 856,293	$ 887,734

Utah Retirement Systems
(pension and other employee benefit trust funds)
Wrap Contracts
At December 31, 2011
(Expressed in Thousands)

	Fair Value	Market Value	Rate	Duration	Quality Ratings
Issued Wrap Contracts	$ 856,293	$ 887,734	1.78% – 3.37%	2.27 – 3.55	A+ – AA
Repurchase	44,087	44,087	.02%		
Total	$ 900,380	$ 931,821			

Student Assistance Program

The following are disclosures for derivative financial instruments held by Student Assistance Program (major proprietary fund).

Objective — In order to protect against the potential of rising interest rates on its variable rate debt, the Student Assistance Program Board entered into an interest rate exchange (swap) agreement relating to the Board's student loan revenue bonds, Series 2010 EE (the "Series 2010 Bonds") on December 21, 2010. The purpose of the swap is to create a variable rate cost of funds for the Series 2010 Bonds that will be lower than the variable rate cost achievable in the cash bond market. The Board accounts for the swap agreement as a fair value hedging derivative instrument and recognizes changes in fair values on the statement of net assets as an asset or liability with a related deferred inflow or outflow of resources respectively. The terms of the swap agreement include:

Trade Date:	December 21, 2010
Effective Date	December 30, 2010
Termination Date	November 1, 2030
Initial Notional Amount	$364,150,000
Board Pays Floating	3 Month LIBOR + 1.64905%
Counterparty Pays Fixed	Stepped fixed rates ranging from 4.664% to 5.000%
Payment Dates	The 1st day of May and November

(Swap agreement information continues on the next page)

Changes in the fair value of the swap agreement and the ending fair value of the swap agreement are summarized below:

Student Assistance Program
Change in Fair Value
For Fiscal Years Ending June 30
(Expressed in Thousands)

Derivative	Fair Value at June 30, 2012	Fair Value at June 30, 2011	Change in Fair Value
Interest Rate Exchange	$ 39,621	$ 1,136	$ 38,485

Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Credit Risk — The risk of a change in the credit quality or credit rating of the Board and/or its counterparty. The counterparty's current ratings are "Aa3", "AA–" and "AA" by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

The Board is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Board's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparties' short-term and long-term credit ratings fall below "A-1" and "A," respectively, as issued by Standard & Poor's or below "Prime-1" and "A2," respectively, as issued by Moody's Investors Service. Collateral posted is to be in the form of cash, U.S. Treasury securities or agency securities held by a third-party custodian. The Board has never failed to access collateral when required.

It is the Board's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

Interest Rate Risk — The risk that the debt service costs associated with variable rate debt increases and negatively affects coverage ratios and cash flow margins. The Board is exposed to interest rate risk; as the 3 month LIBOR rate increases, the net payment on the swap agreement increases.

Basis Risk — The risk that arises when variable rates or prices of a swap agreement and a hedged item are based on different interest rate indexes. Because the swap agreement requires the Board to pay a variable rate to the counterparty and is receiving a fixed rate payment in return, basis risk is not applicable.

Termination Risk — The risk that the swap must be terminated prior to its stated final cash flow date. Purposes for termination include the deterioration of the Board's own credit, and the inability of the Board to obtain a replacement transaction with substantially similar terms. In such a circumstance, the Board would owe, or be owed, a termination payment. No termination events related to the swap agreement have occurred as of June 30, 2012.

Rollover Risk — The risk that the maturity of the swap contract is not coterminous with the maturity of the related bonds. The swap agreement and the underlying bonds have a final maturity date of November 1, 2030.

Utah Housing Corporation

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

Objective — In order to protect against the potential of rising interest rates on its variable rate debt, the Corporation has entered into 73 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2012. Based on the assumption that the payments on the variable rate debt will be substantially offset by the receipts on the interest rate swaps, the net cost associated with the synthetic fixed rate structure over the life of the bonds will be less than what the Corporation would have paid had it issued 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, 2012, 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 Agreements
At June 30, 2012
(Expressed in Thousands)

Outstanding Notional Amount	Effective Dates	Fixed Rate Paid by the Corporation	Variable Rate Received from Counterparty	Fair Values	Swap Termination Dates
$ 465,700	2008	3.920 % to 5.610 %	SIFMA* plus 0.27 %	$ (75,002)	2021 – 2030
124,000	2008	3.730 % to 4.253 %	SIFMA* plus 0.11 %	(22,432)	2026 – 2030
35,600	2008	3.713 % to 4.000%	SIFMA* plus 0.08 %	(7,447)	2027 – 2032
14,000	2008	3.299 % to 3.299 %	SIFMA*	(1,527)	2023
18,165	2008	4.755 % to 7.470%	LIBOR** plus 0.15 %	(2,076)	2012 – 2020
25,610	2008	5.301 % to 5.545 %	LIBOR** plus 0.01 %	(2,215)	2038
$ 683,075				$(110,699)	

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

Fair Values — The fair values of swaps are a function of market interest rates and the remaining term on the swap contracts. The fair values of the swap contracts were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The Corporation has recorded the fair market value of its derivative investments on the financial statements and has evaluated and measured their effectiveness. All of the Corporation's derivative instruments were deemed to be effective, and the Corporation has deferred the changes in fair value for these derivatives and has reported them as deferred outflow of resources in non-current assets, and derivative instrument swap liability in non-current liabilities in the amount of $110.7 million as of June 30, 2012, compared to $82.8 million in the prior year, resulting in an overall decrease in the change in fair value of $27.9 million.

Credit Risk —The Corporation's swap contracts do not require it to post collateral at any time. The Corporation believes that the high credit rating by both parties will mitigate most credit risk associated with the derivatives' fair value. During the year ended June 30, 2009, the Corporation received a net gain of $8.903 million in connection with the replacement of their swaps. This net gain is represented in the financial statements as deferred revenue and is being amortized over the life of the swap agreements. The ability to acquire replacement swaps demonstrates a strong mitigating factor associated with credit and fair value risks.

Basis Risk — The Corporation's tax-exempt variable-rate bond coupon payments have historically been substantially the same as the SIFMA rate. Its taxable variable-rate bond coupon payments have historically been substantially the same as the LIBOR rate. At June 30, 2012, the weighted average interest rate on Corporation's variable-rate hedged debt is 0.18 percent, while the SIFMA swap index is 0.18 percent and the one month LIBOR is 0.245 percent. As the interest rate swaps pay a variable rate based on the SIFMA rate (tax-exempt debt), or the LIBOR rate (taxable debt), the Corporation therefore has limited exposure to basis risk except as disclosed under the Cross-over Risk.

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

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

Rollover Risk — The Corporation is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, the Corporation will not realize the synthetic rate offered by the swaps on the underlying debt issues. As of June 30, 2012, the Corporation's swap termination dates ranged from 0 to 17 years prior to the maturity dates of the associated debt.

Forward Sales Contracts — Forward sales securities commitments and private sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2012, the Corporation had executed six forward sales transactions with a $39.3 million notional amount and a $(282) thousand fair market value. The forward sales are scheduled to settle by August 20, 2012.

NOTE 4. INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment fund. 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 may maintain an interest reserve to stabilize the monthly apportionment of interest. Any balance maintained in the interest reserve is reflected in the fair value valuation factor discussed below. 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, 2012, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2012
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 1,516,563
Investments	8,207,560
Total Assets	$ 9,724,123
Net Assets Consist of:	
External Participant Account Balances	$ 6,057,535
Internal Participant Account Balances:	
Primary Government	2,983,835
Component Units	674,981
Unrealized Gains/Losses	7,772
Net Assets	$ 9,724,123
Participant Account Balance Net Asset Valuation Factor	1.0058628

(Notes continue on next page)

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2012
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 11,593,367
Investment Income:	
Investment Earnings	65,210
Fair Value Increases (Decreases)	4,060
Total Investment Income	69,270
Less Administrative Expenses	(429)
Net Investment Income	68,841
Total Additions	11,662,208
Deductions	
Pool Participant Withdrawals	11,680,312
Earnings Distributions	64,781
Total Deductions	11,745,093
Net Increase/(Decrease) From Operations	(82,885)
Net Assets	
Beginning of Year	9,807,008
Net Assets – End of Year	$ 9,724,123

Public Treasurer's Investment Fund
Portfolio Statistics
At June 30, 2012

	Range of Yields	Weighted Average Maturity
Money Market Mutual Funds	0.12 % – 0.60 %	2.00 days
Certificates of Deposit – Negotiable	0.60 % – 1.10 %	35.57 days
Certificates of Deposit – Nonnegotiable	0.30 % – 0.50 %	133.00 days
U.S. Agencies	0.50 % – 0.50 %	433.00 days
Corporate Bonds and Notes	0.35 % – 4.72 %	102.97 days
Commercial Paper	0.21 % – 0.81%	18.92 days

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	0.71 %	86.26 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, 2012, were $3.501 million. Of those, $2.75 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, 2012, are presented below.

Public Treasurer's Investment Fund Investments
At June 30, 2012
(Expressed in Thousands)

		Investment Maturities (in years)	
Investment Type	**Fair Value**	**Less Than 1**	**1–5**
Debt Securities			
U.S. Agencies	$ 20,006	$ —	$ 20,006
Corporate Bonds and Notes	7,844,987	7,818,971	26,016
Negotiable Certificates of Deposit	179,408	179,408	—
Money Market Mutual Funds	1,150,000	1,150,000	—
Commercial Paper	477,314	477,314	—
	$ 9,671,715	$ 9,625,693	$ 46,022

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, 2012, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

(Notes continue on next page)

Public Treasurer's Investment Fund Rated Debt Investments
At June 30, 2012
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AA	A	BBB	A1 *
U.S. Agencies	$ 20,006	$ 20,006	$ —	$ —	$ —
Corporate Bonds and Notes	$ 7,844,987	$ 764,741	$ 5,990,945	$ 1,089,301	$ —
Negotiable Certificates of Deposit	$ 179,408	$ 50,060	$ 129,348	$ —	$ —
Money Market Mutual Funds	$ 1,150,000	$ —	$ —	$ 100,000	$ —
Commercial Paper	$ 477,314	$ —	$ —	$ —	$ 317,436

Continues Below

Debt Investments	Quality Ratings A2 *	Not Rated
U.S. Agencies	$ —	$ —
Corporate Bonds and Notes	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —
Money Market Mutual Funds	$ —	$ 1,050,000
Commercial Paper	$ 159,878	$ —

***** A1 and A2 are Commercial Paper ratings

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, 2012, 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, 2012, consisted of the following (in thousands):

	Accounts Receivable					Notes/
	Federal	Customer	Other	Interest	Taxes	Mortgages
Governmental Activities:						
General Fund	$ 282,310	$ 239,909	$ 21,875	$ 35	$ 241,119	$ 2,144
Education Fund	147,795	6	1,295	—	743,724	12,504
Transportation Fund	96,416	9,129	2,186	—	51,622	163
Transportation Investment Fund	—	—	—	—	20,192	—
Trust Lands	—	—	5,022	930	—	15,020
Nonmajor Funds	6,162	11,634	—	21	—	—
Internal Service Funds	—	4,060	886	—	—	2,123
Adjustments:						
Fiduciary Funds	—	—	195	—	—	—
Other	—	5,757	—	—	—	—
Total Receivables	532,683	270,495	31,459	986	1,056,657	31,954
Less Allowance for Uncollectibles:						
General Fund	—	(66,477)	—	—	(19,351)	(1,345)
Education Fund	—	—	—	—	(178,911)	—
Transportation Fund	—	—	(441)	—	(870)	—
Transportation Investment Fund	—	—	—	—	(1,884)	—
Receivables, net	$ 532,683	$ 204,018	$ 31,018	$ 986	$ 855,641	$ 30,609
Current Receivables	$ 532,683	$ 166,849	$ 26,351	$ 986	$ 747,294	$ 3,420
Noncurrent Receivables	—	37,169	4,667	—	108,347	27,189
Total Receivables, net	$ 532,683	$ 204,018	$ 31,018	$ 986	$ 855,641	$ 30,609
Business-type Activities:						
Student Assistance Programs	$ 8,289	$ 2,661	$ 1,525	$ 20,852	$ —	$ 1,587,865
Unemployment Compensation	2,400	181,517	—	—	—	—
Water Loan Programs	2,389	138	—	10,602	2,469	698,801
Community Impact Loan Fund	—	—	—	4,012	—	423,648
Nonmajor Funds	3,003	12,775	—	2,585	—	143,628
Total Receivables	16,081	197,091	1,525	38,051	2,469	2,853,942
Less Allowance for Uncollectibles:						
Student Assistance Programs	—	—	—	—	—	(3,979)
Unemployment Compensation	—	(59,784)	—	—	—	—
Receivables, net	$ 16,081	$ 137,307	$ 1,525	$ 38,051	$ 2,469	$ 2,849,963

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. 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.

Aggregated receivables for component units at June 30, 2012, were $1.5 billion for major component units and $75.403 million for nonmajor component units, net of an allowance for doubtful accounts of $210.141 million and $10.845 million, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2012, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds/ Credits	Interest	Total
Governmental Activities:							
General Fund	$ 65,142	$ 281,281	$ 37,124	$ 83,100	$ 6,675	$ —	$ 473,322
Education Fund	3,221	2,199	20,447	127,753	33,279	—	186,899
Transportation Fund	7,029	447	143,654	39,523	1,454	—	192,107
Nonmajor Funds	186	—	43,174	3,682	—	78,446	125,488
Internal Service Funds	6,435	19	19,672	—	—	3	26,129
Adjustments:							
Fiduciary Funds	—	—	—	5,587	—	—	5,587
Other	—	—	—	—	—	1,381	1,381
Total Governmental Activities	$ 82,013	$ 283,946	$ 264,071	$ 259,645	$ 41,408	$ 79,830	$1,010,913
Business-type Activities:							
Student Assistance Programs	$ 1,639	$ —	$ 4,976	$ 8,413	$ —	$ 3,826	$ 18,854
Unemployment Compensation	—	955	—	101	—	—	1,056
Water Loan Programs	—	—	360	—	—	—	360
Community Impact Loan Fund	8	—	—	350	—	—	358
Nonmajor Funds	2,280	—	9,602	—	—	546	12,428
Total Business-type Activities	$ 3,927	$ 955	$ 14,938	$ 8,864	$ 0	$ 4,372	$ 33,056

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 or credits issued; 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, 2012, consisted of the following (in thousands):

Due to General Fund from:	
Education Fund	$ 182
Transportation Fund	545
Trust Lands Fund	3
Nonmajor Governmental Funds	1,302
Unemployment Compensation Fund	7,380
Water Loan Programs	25
Community Impact Loan Fund	2
Nonmajor Enterprise Funds	14,885
Internal Service Funds	832
Fiduciary Funds	71
Total due to General Fund from other funds	$ 25,227
Due to Education Fund from:	
General Fund	$ 304
Nonmajor Governmental Funds	10
Unemployment Compensation Fund	631
Internal Service Funds	7
Total due to Education Fund from other funds	$ 952
Due to Transportation Fund from:	
General Fund	$ 214
Nonmajor Governmental Funds	2
Nonmajor Enterprise Funds	2
Internal Service Funds	30
Total due to Transportation Fund from other funds	$ 248
Due to Trust Lands Fund from Nonmajor Enterprise Funds	$ 4,726
Due to Nonmajor Governmental Funds from:	
General Fund	$ 2,592
Transportation Fund	194
Nonmajor Enterprise Funds	1
Internal Service Funds	47
Fiduciary Funds	115
Total due to Nonmajor Governmental Funds from other funds	$ 2,949
Due to Water Loan Programs from:	
General Fund	$ 235
Trust Lands Fund	16
Nonmajor Governmental Funds	11,652
Total due to Water Loan Programs from other funds	$ 11,903
Due to Nonmajor Enterprise Funds from:	
General Fund	$ 334
Education Fund	41
Transportation Fund	168
Nonmajor Governmental Funds	12,110
Water Loan Programs	17
Internal Service Funds	4
Total due to Nonmajor Enterprise Funds from other funds	$ 12,674
Due to Internal Service Funds from:	
General Fund	$ 20,841
Education Fund	179
Transportation Fund	3,716
Nonmajor Governmental Funds	1,339
Nonmajor Enterprise Funds	472
Internal Service Funds	29
Fiduciary Funds	9
Total due to Internal Service Funds from other funds	$ 26,585
Due to Fiduciary Funds from:	
General Fund	$ 2,539
Education Fund	1,830
Transportation Fund	331
Trust Lands Fund	56
Nonmajor Governmental Funds	831
Total due to Fiduciary Funds from other funds	$ 5,587
Total Due to/Due froms	$ 90,851

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

At June 30, 2012, interfund loans receivable/payable balances consist of $47.998 million revolving loans payable to the General Fund from Internal Service Funds. The balance payable to the General Fund from Internal Service Funds of $47.998 million includes $13.537 million that is not expected to be repaid within one year and is classified as nonspendable fund balance.

(Notes continue on next page.)

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Depreciated/Amortized:				
Land and Related Assets	$ 1,540,553	$ 97,346	$ (12,803)	$ 1,625,096
Infrastructure	10,881,795	321,656	(7,433)	11,196,018
Construction-In-Progress	1,423,794	1,161,998	(624,067)	1,961,725
Total Capital Assets Not Depreciated/Amortized	13,846,142	1,581,000	(644,303)	14,782,839
Capital Assets Depreciated/Amortized:				
Buildings and Improvements	1,753,787	27,877	(179)	1,781,485
Infrastructure	60,988	624	—	61,612
Machinery and Equipment	486,040	37,487	(26,577)	496,950
Intangible Assets–Software	166,029	17,720	(619)	183,130
Total Capital Assets Depreciated/Amortized	2,466,844	83,708	(27,375)	2,523,177
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	(584,294)	(49,825)	152	(633,967)
Infrastructure	(20,070)	(2,220)	—	(22,290)
Machinery and Equipment	(332,747)	(28,452)	23,605	(337,594)
Intangible Assets–Software	(68,646)	(19,454)	619	(87,481)
Total Accumulated Depreciation/Amortization	(1,005,757)	(99,951)	24,376	(1,081,332)
Total Capital Assets Depreciated/Amortized, Net	1,461,087	(16,243)	(2,999)	1,441,845
Capital Assets, Net	$15,307,229	$1,564,757	$ (647,302)	$16,224,684
Business-type Activities:				
Capital Assets Not Depreciated/Amortized:				
Land and Related Assets	$ 22,485	$ 270	$ —	$ 22,755
Capital Assets Depreciated/Amortized:				
Buildings and Improvements	90,697	790	—	91,487
Infrastructure	304	—	—	304
Machinery and Equipment	14,841	891	(112)	15,620
Intangible Assets–Software	791	780	—	1,571
Total Capital Assets Depreciated/Amortized	106,633	2,461	(112)	108,982
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	(17,012)	(3,030)	—	(20,042)
Infrastructure	(86)	(7)	—	(93)
Machinery and Equipment	(11,035)	(989)	108	(11,916)
Intangible Assets–Software	(279)	(196)	—	(475)
Total Accumulated Depreciation/Amortization	(28,412)	(4,222)	108	(32,526)
Total Capital Assets Depreciated/Amortized, Net	78,221	(1,761)	(4)	76,456
Capital Assets, Net	$ 100,706	$ (1,491)	$ (4)	$ 99,211

In the beginning balance column above, *buildings and improvements* and *accumulated depreciation buildings and improvements*, governmental activities was decreased by $57.112 million and $1.102 million, respectively, which is a beginning balance adjustment due to a change in interpretation of GASB Statements for a recently completed research facility at Utah State University, as described in Note 2.

Construction-in-progress of governmental activities includes amounts for buildings the State is constructing for colleges and universities and other discrete 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 and other discrete component units. For fiscal year 2012, $344.875 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	$ 18,398
Human Services and Juvenile Justice Services	6,572
Corrections	5,578
Public Safety	9,864
Courts	6,114
Health and Environmental Quality	4,547
Higher Education	3
Employment and Family Services	9,833
Natural Resources	9,412
Community and Culture	398
Business, Labor, and Agriculture	1,012
Public Education	2,540
Transportation	8,090
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of services provided	17,590
Total Depreciation Expense	$ 99,951

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 Depreciated/Amortized:						
Land and Related Assets	$ 1,472	$ —	$ 20,381	$ 35,065	$ 117,073	$ 173,991
Art and Special Collections	—	—	61,135	16,019	65	77,219
Construction-In-Progress	—	—	223,992	18,792	53,661	296,445
Total Capital Assets Not Depreciated/ Amortized	1,472	0	305,508	69,876	170,799	547,655
Capital Assets Depreciated/Amortized:						
Building and Improvements	5,064	—	2,599,854	855,261	1,466,942	4,927,121
Infrastructure	—	—	—	—	18,621	18,621
Machinery and Equipment	2,098	1,435	997,334	228,844	201,506	1,431,217
Total Capital Assets Depreciated/Amortized	7,162	1,435	3,597,188	1,084,105	1,687,069	6,376,959
Less Total Accumulated Depreciation/ Amortization	(2,820)	(1,279)	(1,614,332)	(466,163)	(640,798)	(2,725,392)
Total Capital Assets Depreciated/ Amortized, Net	4,342	156	1,982,856	617,942	1,046,271	3,651,567
Discretely Presented Component Units – Capital Assets, Net	$ 5,814	$ 156	$ 2,288,364	$ 687,818	$ 1,217,070	$ 4,199,222

(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 $1.529 million in principal and $1.18 million in interest for fiscal year 2012. As of June 30, 2012, the historical cost of the primary government's assets acquired through capital leases was $41.604 million of which $40.066 million was buildings and land and $1.538 million was equipment and other depreciable assets. As of June 30, 2012, the accumulated depreciation of the primary government's assets acquired through capital leases was $13.728 million of which $12.584 million was buildings and $1.144 million was equipment and other depreciable assets. Of the $190.826 million in component unit present value of future minimum lease payments noted below, $102.54 million relates to capital lease arrangements between the primary government and certain colleges and universities (discrete component units).

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 2012 were $29.507 million for the primary government and $26.293 million for component units. For fiscal year 2011, the operating lease expenditures were $27.815 million for the primary government and $29.264 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2012, 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
2013	$ 19,533	$ 26,206	$ 45,739	$ 2,664	$ 27,732	$ 30,396
2014	14,582	22,672	37,254	2,696	24,383	27,079
2015	10,117	20,448	30,565	2,727	23,613	26,340
2016	7,001	15,357	22,358	2,424	19,465	21,889
2017	4,446	11,187	15,633	2,457	16,519	18,976
2018–2022	6,784	41,374	48,158	12,502	49,608	62,110
2023–2027	182	20,881	21,063	6,930	49,761	56,691
2028–2032	11	7,139	7,150	—	37,256	37,256
2033–2037	11	1,365	1,376	—	—	—
2038–2042	10	1,365	1,375	—	—	—
2043–2047	10	1,365	1,375	—	—	—
2048–2052	10	523	533	—	—	—
2053–2057	10	—	10	—	—	—
Total Future Minimum Lease Payments	$ 62,707	$ 169,882	$ 232,589	32,400	248,337	280,737
Less Amounts Representing Interest				(8,130)	(57,511)	(65,641)
Present Value of Future Minimum Lease Payments				$ 24,270	$ 190,826	$ 215,096

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, 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	$ 3,128,890	$ 609,920	$ (251,130)	$ 3,487,680	$ 295,470
State Building Ownership Authority Lease Revenue Bonds	220,380	5,250	(15,246)	210,384	13,738
Net Unamortized Premiums	162,003	92,558	(53,582)	200,979	48,094
Deferred Amounts on Refunding	(31,904)	—	5,656	(26,248)	(5,136)
Capital Leases (Note 9)	25,799	—	(1,529)	24,270	1,553
Contracts/Notes Payable	466	—	(20)	446	23
Compensated Absences (Note 1) *	182,543	84,091	(80,933)	185,701	81,489
Claims *	42,731	12,654	(10,685)	44,700	17,013
Pollution Remediation Obligation **	7,083	59	(502)	6,640	467
Net OPEB Obligation (Note 17) *	7,142	1,767	(3,470)	5,439	—
Settlement Obligations ***	38,926	2,307	(7,226)	34,007	19,257
Total Governmental Long-term Liabilities	$ 3,784,059	$ 808,606	$ (418,667)	$ 4,173,998	$ 471,968
Business-type Activities					
Student Assistance Revenue Bonds	$ 1,218,390	$ 547,815	$ (835,783)	$ 930,422	$ 16,120
State Building Ownership Authority Lease Revenue Bonds	92,445	—	(4,284)	88,161	4,438
Water Loan Recapitalization Revenue Bonds	65,800	—	(4,595)	61,205	4,660
Net Unamortized Premiums	29,092	939	(13,114)	16,917	5,098
Deferred Amounts on Refunding	(994)	27,970	(1,531)	25,445	1,777
Contracts/Notes Payable	647,842	—	(95,419)	552,423	—
Claims and Uninsured Liabilities	16,179	451,191	(449,504)	17,866	15,384
Arbitrage Liability (Note 1)	11,968	—	(1,968)	10,000	—
Total Business-type Long-term Liabilities	$ 2,080,722	$ 1,027,915	$ (1,406,198)	$ 1,702,439	$ 47,477
Component Units					
Revenue Bonds	$ 2,353,923	$ 149,940	$ (526,117)	$ 1,977,746	$ 107,881
Net Unamortized Premiums/(Discounts)	2,696	7,489	(401)	9,784	178
Capital Leases/Contracts Payable (Notes 9 and 10)	97,226	122,017	(23,707)	195,536	22,920
Notes Payable	77,657	85,254	(6,601)	156,310	16,097
Claims	117,629	558,668	(540,578)	135,719	72,228
Leave/Termination Benefits (Note 1)	110,100	68,535	(64,376)	114,259	33,654
Total Component Unit Long-term Liabilities	$ 2,759,231	$ 991,903	$ (1,161,780)	$ 2,589,354	$ 252,958

* Compensated absences of governmental activities are liquidated in the General Fund, Education 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. Net OPEB obligation of governmental activities are liquidated in the General Fund.

** Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends Superfund trust monies for cleanup. Currently there are seven sites in various stages of cleanup, from initial assessment to cleanup activities. The pollution remediation liabilities associated with these sites were measured using the actual contract cost, where no changes in cost are expected, or the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

*** Under the terms of the Final Settlement Agreement, the State agreed to pay $26 million to the Utah Navajo Royalties Holding Fund (private purpose trust fund) plus $7 million in court and legal fees. $5 million of this liability was paid during the current fiscal year and $1 million the prior fiscal year. The State has additional claims totaling $7.007 million, some that need approval by the Governor, and approval and funding by the Legislature.

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, 2012, the State had $41.9 million, $42.5 million, and $369.5 million of authorized but unissued general obligation building, State land acquisition, and highway bond authorizations remaining, respectively.

During fiscal year 2012, the State issued $609.9 million Series 2011A general obligation bonds. The proceeds were used to provide funds for certain highway projects and various other construction projects.

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, 2012
2002 B Refunding Issue	07/31/02	2004–2012	3.00 % to 5.38 %	$ 253,100	$ 59,915
2003 A Highway/Capital Facility Issue	06/26/03	2005–2013	2.00 % to 5.00 %	$ 407,405	107,875
2004 A Refunding Issue	03/02/04	2010–2016	4.00 % to 5.00 %	$ 314,775	234,635
2004 B Highway/Capital Facility Issue	07/01/04	2005–2015	4.75 % to 5.00 %	$ 140,635	15,400
2007 Highway/Capital Facility Issue	07/03/07	2008–2014	4.00 % to 5.00 %	$ 75,000	32,235
2009 A Highway Issue	03/17/09	2010–2019	2.00 % to 5.00 %	$ 394,360	197,365
2009 B Capital Facility Issue	05/19/09	2010–2015	4.00 %	$ 104,450	84,825
2009 C Highway/Capital Facility Issue	09/29/09	2011–2018	2.00 % to 5.00 %	$ 490,410	486,325
2009 D Highway Issue	09/29/09	2019, 2024	4.15 %, 4.55 %	$ 491,760	491,760
2010 A Highway/Capital Facility Issue	09/30/10	2011–2017	1.75 % to 5.00 %	$ 412,990	373,390
2010 B Highway Issue	09/30/10	2019–2025	3.19 % to 3.54 %	$ 621,980	621,980
2010 C Refunding Issue	10/21/10	2016–2019	4.00 % to 5.00 %	$ 172,055	172,055
2011 A Highway/Capital Facility Issue	07/06/11	2012–2026	2.00 % to 5.00 %	$ 609,920	609,920
Total General Obligation Bonds Outstanding					3,487,680
Plus Unamortized Bond Premium					196,843
Less Deferred Amount on Refunding					(24,434)
Total General Obligation Bonds Payable					$ 3,660,089

(*Notes continue on next page*.)

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

	Principal						
Fiscal Year	**2002B Refunding Bonds**	**2003A Highway/ Capital Facility**	**2004A Refunding Bonds**	**2004B Highway/ Capital Facility**	**2007 Highway/ Capital Facility**	**2009A Highway Bonds**	**2009B Capital Facility Bonds**
2013	$ 59,915	$ 52,575	$ 11,245	$ 3,575	$ 10,300	$ 23,680	$ 19,950
2014	—	55,300	18,480	3,750	10,720	23,680	20,775
2015.	—	—	73,595	3,950	11,215	23,680	21,600
2016	—	—	73,910	4,125	—	25,265	22,500
2017	—	—	57,405	—	—	25,265	—
2018–2022	—	—	—	—	—	75,795	—
2023–2027	—	—	—	—	—	—	—
Total	$ 59,915	$ 107,875	$ 234,635	$ 15,400	$ 32,235	$ 197,365	$ 84,825

Continues Below

	Principal					
Fiscal Year	**2009C Highway/ Capital Bonds**	**2009D Highway Bonds**	**2010A Highway/ Capital Facility**	**2010B Highway Bonds**	**2010C Refunding Bonds**	**2011A Highway/ Capital Bonds**
2013	$ 35,225	$ —	$ 50,245	$ —	$ —	$ 28,760
2014	97,950	—	55,435	—	—	28,765
2015.	71,545	—	58,035	—	—	28,765
2016	74,080	—	89,635	—	—	28,765
2017	69,165	—	81,125	—	28,510	48,765
2018–2022	138,360	248,600	38,915	233,725	143,545	246,820
2023–2027	—	243,160	—	388,255	—	199,280
Total	$ 486,325	$ 491,760	$ 373,390	$ 621,980	$ 172,055	$ 609,920

Continues Below

Fiscal Year	**Total Principal Required**	**Total Interest Required**	**Total Amount Required**
2013	$ 295,470	$ 141,905	$ 437,375
2014	314,855	128,179	443,034
2015.	292,385	114,249	406,634
2016	318,280	99,258	417,538
2017	310,235	84,382	394,617
2018–2022	1,125,760	269,158	1,394,918
2023–2027	830,695	50,094	880,789
Total	$ 3,487,680	$ 887,225	$ 4,374,905

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 State's Water Loan Programs, 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, 2012, are reported as a long-term liability of the governmental activities, except for $88.165

million and $1.97 million, which are reported in the Alcoholic Beverage Control Fund and the Utah Correctional Industries Fund (nonmajor enterprise funds), respectively. These portions are reported as liabilities of the business-type activities on the government-wide Statement of Net Assets.

Business-type Activities

The Utah State Board of Regents Student Loan Purchase Program's (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 $386.91 million of fixed rate bonds, $132.52 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent and $366.792 million of bonds at a rate set at the 3-month LIBOR plus spread. The Programs bonds also include adjustable rate bonds that are set by an auction procedure every 28 days in the amount of $39.1 million and $5.1 million of bonds that are auctioned every 35 days.

The Student Assistance Program's 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 $5.1 million of outstanding student loan revenue bonds which are payable through 2035. 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 $16.14 million and $10.345 million, respectively.

The Student Assistance Program's bonds issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $785.507 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 $557.483 million and $8.806 million, respectively.

The Student Assistance Program's bonds issued under the 2011 Trust Estate are special 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 and to refund outstanding bonds of the board. 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 $132.52 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 loss before interest expense were $122.659 million and $9.674 million, respectively.

The State's Water Loan Programs have issued recapitalization revenue bonds to provide additional capital for the State's revolving water resources loan programs. The bonds are secured by and repayments are made from the pledged principal and interest payments (pledged revenues) of specific revolving water resources loan funds. These pledged revenues will not be available for other purposes until the end of fiscal year 2023 when the bonds are completely paid off. Pledged revenues were projected to produce 150 percent of debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is $75.713 million. For the current year principal and interest paid and total repayments from pledged revenues were $6.966 million and $17.973 million, respectively. Of the bonds payable outstanding at June 30, 2012, $62.435 million are reported in the Water Loan Program Fund (major enterprise fund). These portions are reported as liabilities of the business-type activities on the government-wide Statement of Net Assets.

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, 2012, is presented below.

(*Table continues 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	$ 2,020,556	$ 767,494	$ 130,461	$ 247,027
Term of Commitment	Thru 2041	Thru 2036	Thru 2035	Thru 2040
Percent of Revenue Pledged	100.00 %	100.00 %	100.00 %	100.00 %
Current Year Pledged Revenue	$ 77,081	$ 102,594	$ 36,829	$ 14,780
Current Year Principal and Interest Paid	$ 199,761	$ 36,969	$ 8,594	$ 18,006

***** 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.

(*Notes continue on next page*.)

Revenue Bonds Payable — Primary Government
Governmental Activities
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2012
SBOA Lease Revenue Bonds:					
Series 1993 A	12/01/93	1995–2013	4.50 % to 5.25 %	$ 6,230	$ 495
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 101,557	53,686
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 20,820	12,575
Series 2004 A	10/26/04	2005–2027	3.00 % to 5.25 %	$ 32,458	14,065
Series 2009 D	09/09/09	2014–2017	5.00 %	$ 12,125	12,125
Series 2009 E	09/09/09	2018–2030	4.62 % to 5.77 %	$ 89,470	89,470
Series 2010	11/30/10	2011–2024	2.00 % to 5.00 %	$ 24,555	22,944
Series 2011	10/25/11	2012–2031	2.13 % to 4.00 %	$ 5,250	5,025
Total Lease Revenue Bonds Outstanding					210,385
Plus Unamortized Bond Premium					4,136
Less Deferred Amount on Refunding					(1,814)
Total Lease Revenue Bonds Payable					$ 212,707

Continues Below

Revenue Bonds Payable — Primary Government
Business-type Activities
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2012
Student Assistance Programs:					
1988 Trust Estate					
Student Loan Indentures	2000	2035	Variable	$ 49,500	$ 5,100
1993 Trust Estate					
Student Loan Indentures	1999–2011	2030–2046	Variable and Fixed	$1,337,655	785,507
2011 Trust Estate					
Student Loan Indentures	2011	2045	Variable	$ 143,520	132,520
Office Facility Bond Fund	2012	2013–2024	2.00 % to 5.00 %	$ 7,295	7,295
Total Revenue Bonds Outstanding					930,422
Plus Unamortized Bond Premium					12,864
Plus Deferred Amount on Refunding					26,294
Total Revenue Bonds Payable					$ 969,580
SBOA Lease Revenue Bonds:					
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 3,543	$ 2,025
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 1,905	1,305
Series 2004 A	10/26/04	2005–2025	3.00 % to 5.25 %	$ 13,347	4,760
Series 2006 A	01/10/06	2006–2027	3.50 % to 5.00 %	$ 8,355	6,845
Series 2007 A	07/10/07	2009–2028	4.25 % to 5.00 %	$ 15,380	13,455
Series 2009 A	03/25/09	2011–2030	3.00 % to 5.00 %	$ 25,505	23,800
Series 2009 B	09/09/09	2012–2019	3.00 % to 5.00 %	$ 8,455	7,545
Series 2009 C	09/09/09	2024, 2029	5.29 % , 5.77 %	$ 16,715	16,715
Series 2010	11/30/10	2011–2024	2.00 % to 5.00 %	$ 12,180	11,711
Total Lease Revenue Bonds Outstanding					88,161
Plus Unamortized Bond Premium					2,825
Less Deferred Amount on Refunding					(851)
Total Lease Revenue Bonds Payable					$ 90,135

Continues Below

Revenue Bonds Payable — Primary Government
Business-type Activities
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2012
Water Loan Programs:					
Series 2010 A Revolving Loan Recapitalization Revenue Bonds.....	02/23/10	2011–2014	1.15 % to 2.57 %	$ 18,450	$ 13,855
Series 2010 B Revolving Loan Recapitalization Revenue Bonds.....	02/23/10	2014–2017	2.25 % to 5.00 %	$ 16,125	16,125
Series 2010 C Revolving Loan Recapitalization Revenue Bonds.....	02/23/10	2018–2022	4.19 % to 4.79 %	$ 31,225	31,225
Total Recapitalization Revenue Bonds Outstanding.....					61,205
Plus Unamortized Bond Premium.....					1,230
Total Recapitalization Revenue Bonds Payable.....					$ 62,435
Total Revenue/Lease Revenue/ Recapitalization Revenue Bonds Payable.....					$ 1,334,857

(*Notes continue on next page.*)

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

	Principal							
Fiscal Year	**1988 Trust Estate Student Loan Indentures**	**1993 Trust Estate Student Loan Indentures**	**2011 Trust Estate Student Loan Indentures**	**Office Facility Bond Fund**	**1993 A Utah State Building Ownership Authority**	**1998 C Utah State Building Ownership Authority**	**2003 Utah State Building Ownership Authority**	**2004 A Utah State Building Ownership Authority**
2013	$ —	$ 15,465	$ —	$ 655	$ 495	$ 8,806	$ 1,440	$ 2,795
2014	—	19,450	—	605	—	9,290	835	2,945
2015	—	20,500	—	630	—	8,850	875	1,910
2016	—	29,800	—	655	—	9,230	900	2,010
2017	—	42,500	—	670	—	9,130	940	2,110
2018–2022	—	155,000	—	3,590	—	10,407	5,335	3,265
2023–2027	—	234,392	—	490	—	—	3,555	3,790
2028–2032	—	174,300	—	—	—	—	—	—
2033–2037	5,100	55,000	—	—	—	—	—	—
2038–2042	—	21,600	—	—	—	—	—	—
2043–2047	—	17,500	132,520	—	—	—	—	—
Total	$ 5,100	$ 785,507	$ 132,520	$ 7,295	$ 495	$ 55,713	$ 13,880	$ 18,825

Continues Below

	Principal							
Fiscal Year	**2006 A Utah State Building Ownership Authority**	**2007 A Utah State Building Ownership Authority**	**2009 A Utah State Building Ownership Authority**	**2009 B Utah State Building Ownership Authority**	**2009 C Utah State Building Ownership Authority**	**2009 D Utah State Building Ownership Authority**	**2009 E Utah State Building Ownership Authority**	**2010 Utah State Building Ownership Authority**
2013	$ 335	$ 585	$ 900	$ 925	$ —	$ —	$ —	$ 1,545
2014	350	610	925	975	—	1,300	—	1,620
2015	365	645	950	1,020	—	3,425	—	2,880
2016	380	665	975	1,075	—	3,605	—	3,030
2017	395	695	1,025	1,125	—	3,795	—	3,175
2018–2022	2,230	4,005	5,925	2,425	4,120	—	20,690	16,255
2023–2027	2,790	5,075	7,575	—	8,485	—	34,885	6,150
2028–2032	—	1,175	5,525	—	4,110	—	33,895	—
2033–2037	—	—	—	—	—	—	—	—
2038–2042	—	—	—	—	—	—	—	—
2043–2047	—	—	—	—	—	—	—	—
Total	$ 6,845	$ 13,455	$ 23,800	$ 7,545	$ 16,715	$ 12,125	$ 89,470	$ 34,655

Continues Below

(*Table continues on next page.*)

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

	Principal			
Fiscal Year	**2011 Utah State Building Ownership Authority**	**2010 A Revolving Loan Recap Program**	**2010 B Revolving Loan Recap Program**	**2010 C Revolving Loan Recap Program**
2013	$ 350	$ 4,660	$ —	$ —
2014	365	4,745	—	—
2015	370	4,450	410	—
2016	380	—	5,025	—
2017	385	—	5,235	—
2018–2022	2,085	—	5,455	24,395
2023–2027	750	—	—	6,830
2028–2032	340	—	—	—
2033–2037	—	—	—	—
2038–2042	—	—	—	—
2043–2047	—	—	—	—
Total	$ 5,025	$ 13,855	$ 16,125	$ 31,225

Continues Below

Fiscal Year	**Total Principal Required**	**Interest Required**	**Total Amount Required**
2013	$ 38,956	$ 39,785	$ 78,741
2014	44,015	38,149	82,164
2015	47,280	36,220	83,500
2016	57,730	33,838	91,568
2017	71,180	30,979	102,159
2018–2022	265,182	111,793	376,975
2023–2027	314,767	56,480	371,247
2028–2032	219,345	17,108	236,453
2033–2037	60,100	4,475	64,575
2038–2042	21,600	2,323	23,923
2043–2047	150,020	1,646	151,666
Total	$ 1,290,175	$ 372,796	$ 1,662,971

(*Notes continue on next page*.)

Revenue Bonds Payable — Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2012
Utah Housing Corporation Issues	1996–2011	2016–2041	Variable and 1.05 % to 7.47 %	$ 3,084,080	$ 1,197,692
University of Utah Revenue Bonds	1987–2011	2014–2036	Variable and 1.75 % to 6.75 %	$ 710,755	526,749
Utah State University Revenue Bonds	2002–2010	2002–2035	1.90 % to 5.25 %	$ 115,860	86,500
Nonmajor Component Units Revenue Bonds	2002–2012	2012–2040	1.63 % to 6.00 %	$ 190,495	166,805
Total Revenue Bonds Outstanding					1,977,746
Plus Unamortized Bond Premium					9,795
Total Revenue Bonds Payable					$ 1,987,541

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
2013	$ 76,687	$ 20,539	$ 4,780	$ 5,875	$ 107,881	$ 84,892	$ 192,773
2014	17,355	21,402	4,972	7,661	51,390	83,631	135,021
2015	18,360	21,886	5,130	7,942	53,318	81,547	134,865
2016	19,805	24,290	4,813	7,879	56,787	79,337	136,124
2017	21,715	25,425	4,845	6,901	58,886	76,888	135,774
2018–2022	145,630	138,062	17,530	37,569	338,791	341,299	680,090
2023–2027	191,375	146,640	18,580	36,367	392,962	256,723	649,685
2028–2032	280,075	117,890	17,290	40,428	455,683	154,217	609,900
2033–2037	297,870	10,615	8,560	13,993	331,038	61,518	392,556
2038–2042	128,820	—	—	2,190	131,010	9,054	140,064
Total	$ 1,197,692	$ 526,749	$ 86,500	$ 166,805	$ 1,977,746	$ 1,229,106	$ 3,206,852

D. **Conduit Debt Obligations**

Of the Utah Housing Corporation (major component unit) bonds outstanding, $384.613 million were issued as multi-family purchase bonds. Of those bonds, $384.613 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 and, accordingly, has not reported it in the accompanying financial statements.

In 1985, the State Board of Regents authorized the University of Utah (major 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, 2012, is $3.35 million.

The State Charter School Finance Authority (nonmajor 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, 2012, is $242.621 million in tax-exempt and $1.04 million in taxable conduit debt.

E. **Demand Bonds**

- The Student Assistance Programs had $132.52 million of demand bonds outstanding at June 30, 2012, 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.

  Under an irrevocable letter of credit, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letter of credit is valid through September 19, 2014, and carries an interest rate of LIBOR plus 1.25 percent.

  In the event bonds cannot be remarketed within 90 days of the "put" date, the Program has a takeout agreement to pay off the bonds over a five year period bearing an adjustable interest rate equal to the LIBOR rate plus 2.15 percent. The takeout agreement expires September 19, 2014. If the take out agreement were to be exercised because the entire issue of $132.52 million of demand bonds was "put" and not resold, the Program would be required to pay $28.796 million a year for five years under the installment loan agreement assuming a 3.22 percent interest rate.

  As of June 30, 2012, there were insufficient clearing bids on all of the Student Assistance Program's 1988 Revenue Bond Fund bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable bond, a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.2 percent or LIBOR plus 1.5 percent. For a tax exempt bond the Maximum Auction Rate means a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of 175 percent multiplied by the lesser of the After Tax Equivalent Rate or the Kenny Index. The Maximum Auction Rate for the year ended June 30, 2012, ranged between 0.0 percent and 0.7 percent.

  As of June 30, 2012, there were insufficient clearing bids on all of the Student Assistance Program's 1993 Revenue Bond Fund bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable bond, a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.2 percent or LIBOR plus 1.5 percent. For a tax exempt bond the Maximum Auction Rate means a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of 175 percent multiplied by the lesser of the After Tax Equivalent Rate or the Kenny Index The Maximum Auction Rate for the year ended June 30, 2012, ranged between 0 percent and 13.82 percent.

- The Utah Housing Corporation (major component unit) had $663.17 million of bonds outstanding at June 30, 2012, 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) originally totaling $790.395 million and an outstanding commitment of $663.17 million. These Agreements 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 90 basis points of the outstanding amount of the variable rate bonds paid on a quarterly basis. As of June 30, 2012, none of the original commitments were available for replacement of existing liquidity facilities or to issue new variable rate bonds.

- The University of Utah (major component unit) Series 1997 A bonds in the amount of $3 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, 2013. Through June 30, 2012, no funds have been drawn against the agreement. The interest requirement for the Series 1997 A Bonds is calculated using an interest rate of 0.32 percent, which is the rate in effect as of June 30, 2012.

F. **Defeased Bonds and Bond Refunding**

In prior years, the State defeased certain general obligation and revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide

for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets. At June 30, 2012, the total amount outstanding of defeased general obligation bonds was $354.86 million. At June 30, 2012, the total amount outstanding of defeased revenue bonds was $20.72 million.

On September 28, 2011, in the 1993 Trust Estate, the Student Assistance Programs issued $397 million of LIBOR-Indexed Series 2011-1 Student Loan Backed Notes at a discount for the purpose of refunding certain outstanding student loan revenue bonds in the 1988 and 1993 Trust Estates:

- The Board used proceeds from the financing to refund at par the Series 2000 U bonds for $35 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $188 thousand. The difference is deferred and will be amortized through April 2035 using the straight line method.
- The Board also used proceeds from the financing to refund at a discount various series under the 1993 Trust Estate totaling $353.537 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $23.058 million. The difference is deferred and will be amortized through April 2035 using the straight line method.

On September 28, 2011, in the 2011 Trust Estate, the Student Assistance Programs issued $143.52 million of variable rate Series 2011 A Student Loan Revenue Bonds for the purpose of refunding certain outstanding student loan revenue bonds in the 1988, 1993, and 2010 Trust Estates:

- The Board used proceeds from the financing to refund at a discount, $2 million of the Series 1994 K bonds and $20 million of the Series 2000 T Bonds, and to refund at par $5 million of the Series 1995 L Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.399 million. The difference is deferred and will be amortized through October 2045 using the straight line method. The Program also used cash from its trustee accounts to redeem $18.358 million of the Series 1994 K Bonds and $22.981 million of the Series 2000 T Bonds at a discount, resulting in a realized gain on bond purchases of $2.634 million.
- The Board also used proceeds from the financing to refund at a discount the Series 1999 M bonds for $18.675 million, and to refund at par the Series 1999 K Bonds for $1.3 million and $23.304 million of the Series 2001 P Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.093 million. The difference is deferred and will be amortized through October 2045 using the straight line method. The Program also used cash from its trustee accounts to redeem $36.35 million of the Series 1997 E Bonds, $39.8 million of the Series 1998 J Bonds, $3.429 million of the Series 1999 L Bonds and $100 thousand of the Series 2002 V-2 Bonds at a discount, resulting in a realized gain on bond purchases of $5.279 million.
- The Board further used $73.19 million of the proceeds from the financing to refund the Series 2010 A bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $55 thousand. The difference is deferred and will be amortized through October 2045 using the straight line method.

The Program completed the refundings to manage its interest costs. Since variable rate debt was refunded with new variable rate debt, the change in cash flows and the economic gain or loss cannot be directly calculated and will vary depending on the actual interest costs incurred over the life of the Series 2011-1 Notes and the 2011 A Bonds.

On May 3, 2012, the Program issued $7.295 million of fixed rate Series 2012 Revenue Refunding Bonds at a premium for the purpose of currently refunding certain outstanding revenue bonds in the Office Facility Bond Fund. The Board used proceeds from the financing to refund at par the Series 2002 Bonds for $4.94 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $67 thousand. The difference is deferred and will be amortized through January 2024 using the straight line method. The program completed the refunding to manage its interest costs. Based on an average rate of 3.29 percent the Program will have a decrease in cash outflow of $473 thousand with an economic gain of $447 thousand.

On May 3, 2012, $7.295 million in revenue bonds with an average interest rate of 3.29 percent were issued to advance refund $2.55 million of outstanding revenue bonds with an average interest rate of 4.9 percent. Proceeds in the amount of $2.783 million were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. This refunding decreases cash outflows over the next 12 years by $394 thousand, resulting in an economic gain of $262 thousand.

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, 2012, $55.179 million of college and university bonds outstanding are considered defeased.

G. Contracts Payable

Component unit capital leases/contracts payable include $4.71 million in life annuity contracts.

H. Notes Payable

On June 28, 2010, the Utah State Board of Regents Student Loan Purchase Program (Student Assistance Programs) entered into a long-term asset-backed commercial paper conduit funding note for the purpose of refunding certain outstanding student loan revenue bonds. In accordance with the financing agreement, the Board has pledged cash, cash equivalents, student loan receivable principal, accrued interest, interest subsidy and special allowance. In accordance with the financing agreement, the Board pledged cash and student loan receivable principal and accrued interest totaling $586.805 million at June 30, 2012. The Conduit Financing costs on the note are determined weekly by the Conduit lender and based on LIBOR plus other fees, costs and expenses of the Conduit lender. The weighted average cost of capital for the period ended June 30, 2012, was .81 percent, which included .24 percent of interest cost, 0.51 percent of liquidity fees and 0.06 percent of other administrative expenses. Debt service requirements to maturity on

the Conduit as of June 30, 2012, are as follows: fiscal year 2013 has no principal amount but interest of $985 thousand due; and fiscal year 2014 has principal of $552.423 million and interest of $553 thousand due, respectively.

The notes payable balance consists of notes issued by component units for the purchase of buildings, equipment and to provide a source of capital for the purchase of single family mortgage loans. The notes bear various interest rates and will be repaid over the next 20 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**
2013	$ 10,530	$ 2,213	$ 1,886	$ 1,468	$ 16,097	$ 5,787	$ 22,884
2014	10,798	2,350	1,883	1,021	16,052	5,240	21,292
2015	11,072	2,499	1,852	3,856	19,279	4,699	23,978
2016	11,354	2,659	1,789	487	16,289	4,050	20,339
2017	11,642	2,828	1,789	1,640	17,899	3,486	21,385
2018–2022	24,181	13,826	8,788	1,866	48,661	9,484	58,145
2023–2027	—	13,104	2,233	1,603	16,940	3,682	20,622
2028–2032	—	3,877	60	1,156	5,093	328	5,421
Total	$ 79,577	$ 43,356	$ 20,280	$ 13,097	$ 156,310	$ 36,756	$ 193,066

I. Debt Service Requirements for Derivatives

Business-type Activities

As explained in Note 3.D., the Student Assistance Program (major proprietary fund) Board had issued on December 30, 2010 the Series 2010 EE bonds for the purpose of refinancing certain outstanding bonds in the 1988 and 1993 indentures. As part of this issuance, the Board entered into an interest rate exchange (swap) agreement relating to the Board's student loan revenue bonds. The projected net cash flows of the swap agreement are summarized below. The principal, interest, and net swap interest are included in the debt service schedule presented on page 104 for the Student Assistance Program.

Student Assistance Program
Swap Payments and Associated Debt
For Fiscal Years Ending June 30
(Expressed in Thousands)

Fiscal	**Counterparty Swap Payment**			**Interest Payments to**	**Total**
Year	**To**	**From**	**Net**	**Bondholders**	**Payments**
2013	$ (7,682)	$ 16,984	$ 9,302	$ (16,984)	$ (7,682)
2014	(7,409)	16,465	9,056	(16,465)	(7,409)
2015	(6,984)	15,659	8,675	(15,659)	(6,984)
2016	(6,420)	14,591	8,171	(14,591)	(6,420)
2017	(5,613)	13,061	7,448	(13,061)	(5,613)
2018–2022	(16,967)	40,180	23,213	(40,180)	(16,967)
2023–2027	(6,453)	15,293	8,840	(15,293)	(6,453)
2028–2032	(1,138)	2,697	1,559	(2,697)	(1,138)
Total	$ (58,666)	$ 134,930	$ 76,264	$ (134,930)	$ (58,666)

Discrete Component Units

As explained in Note 3.D., Utah Housing Corporation (major component unit) had entered into 73 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2012. Using rates as of June 30, 2012, 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 presented below for Utah Housing Corporation.

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

Fiscal	Variable Rate Bonds		Interest Rate	
Year	Principal	Interest	Swaps, Net	Total
2013	$ 19,665	$ 1,161	$ 32,998	$ 53,824
2014	2,170	1,126	32,858	36,154
2015	3,050	1,123	32,764	36,937
2016	4,180	1,117	32,629	37,926
2017	5,705	1,110	32,445	39,260
2018–2022.....	68,140	5,294	155,820	229,254
2023–2027.....	109,970	4,561	135,260	249,791
2028–2032.....	192,300	3,324	100,727	296,351
2033–2037.....	203,365	1,514	48,305	253,184
2038–2042.....	54,625	149	6,396	61,170
Total	$ 663,170	$ 20,479	$ 610,202	$ 1,293,851

NOTE 11. GOVERNMENTAL FUND BALANCES, BUDGET STABILIZATION ACCOUNTS, AND NET ASSETS RESTRICTED BY ENABLING LEGISLATION

A. Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (**1**) **Restricted Purposes,** which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (**2**) **Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; **(3) Assigned Purposes**, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2012, follows:

(Summary on next page.)

Governmental Fund Balances
(Expressed in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
Government Operations:			
Legislature	$ —	$ 5,561	$ —
Governor	124	19,089	—
Elected Officials	251	17,199	—
Administrative Services	—	2,181	—
Revenue Assessments and Collections	—	13,479	—
Human Services	—	10,973	—
Corrections	—	25,647	—
Public Safety	8,996	41,916	—
Courts	—	10,841	—
Health	197	40,054	—
Environmental Quality	—	9,001	—
Higher Education	—	673	—
Employment and Family Services	—	20,308	—
Natural Resources	16,618	48,059	—
Community and Culture	13	3,243	—
Business, Labor, and Agriculture	12	32,729	—
Budget Reserve (Rainy Day) Account	—	133,017	—
Industrial Assistance	—	35,512	—
Postemployment and Other Liabilities	—	—	121,222
Fiscal Year 2013 Appropriations:			
Line Item Appropriations	—	—	37,860
Other Purposes	13,534	20,005	—
Total	$ 39,745	$ 489,487	$ 159,082
Education Fund:			
Minimum School Program	$ 94,301	$ —	$ —
State Office of Education	16,775	—	—
School Building Program	16,040	—	—
School Land Interest	29,484	—	—
Education Budget Reserve Account	144,369	—	—
Postemployment and Other Liabilities *	219,949	—	—
Fiscal Year 2013 Appropriations:			
Line Item Appropriations	71,022	—	—
Available for Appropriation	35,043	—	—
Other	2,713	—	—
Total	$ 629,696	$ 0	$ 0
Transportation Fund:			
Transportation – Construction/Maintenance	$ 63,045	$ 37,823	$ 3,070
Public Safety	10,588	—	2,000
Corridor Preservation	41,455	—	—
Aeronautical Programs	8,007	—	—
Postemployment and Other Liabilities *	39,672	4,199	—
Total	$ 162,767	$ 42,022	$ 5,070
Transportation Investment Fund:			
Critical Highway Needs Program	$ 161,177	$ 233,886	$ —
Transportation Investment Projects	33,722	—	—
Centennial Highway Program	12,858	166,046	—
Other Liabilities	2,323	14,777	—
Total	$ 210,080	$ 414,709	$ 0
Nonmajor Governmental Funds:			
Capital Projects	$ 49,108	$ —	$ 101,093
Debt Service	511	—	5,638
State Endowment Fund	—	123,539	—
Environmental Reclamation	21,607	3,404	—
Rural Development	—	32,180	—
Other Purposes	15,261	16,129	214
Total	$ 86,487	$ 175,252	$ 106,945

***** Resources restricted through constitutional provisions.

B. **Budget Stabilization Accounts**

In accordance with Sections 63J–1–312 and 313 of the *Utah Code*, the State maintains the General Fund Budget Reserve Account in the General Fund (the "Rainy Day Fund") and an Education Fund Budget Reserve Account in the Education Fund (the "Education Reserve"). These stabilization balances can only be used to cover budget shortfalls when appropriated by the Legislature. State law requires 25 percent of any revenue surplus in the General Fund to be deposited in the Rainy Day Fund and 25 percent of any revenue surplus in the Education Fund to be deposited in the Education Reserve, in each case up to a statutory limit. State law limits the totals of the Rainy Day Fund and Education Reserve to 8 percent and 9 percent of appropriations from the General Fund and Education Fund, respectively, for the fiscal year in which the surplus occurred.

Historically, resources from the Rainy Day Fund or Education Reserve have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. Section 63J–1–217 of the *Utah Code* requires the State to maintain a balanced budget. If a revenue shortfall is expected, the Governor is required to direct state agencies to reduce commitments and expenditures by an amount proportionate to any revenue shortfall until the Legislature takes action to rectify the deficit. The Rainy Day Fund and the Education Reserve ended the year with balances of $133.017 million and $144.369 million, respectively. For the fiscal year ended June 30, 2012, $10.476 million was transferred into the Rainy Day Fund and $35.013 million was transferred into the Education Reserve as a result of a revenue surplus.

C. **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 $4.064 billion of restricted net assets, of which $12.7 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, 2012, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ (59,653)
Petroleum Storage Tank	$ (15,018)

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, 2012, are (in thousands):

Internal Service Funds:	
Technology Services	$ (1,795)
Fleet Operations	$ (28,045)

The Internal Service Funds deficits are mainly due to the significant investment in capital assets required for these operations. The deficits will be covered by future charges for services. Management may also seek rate increases to help reduce these deficits.

NOTE 13. INTERFUND TRANSFERS

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital to another fund. All transfers must be legally authorized by the Legislature through statute or an *Appropriation Act*. Interfund transfers for the fiscal year ended June 30, 2012, are as follows (in thousands):

(Interfund Transfers on next page.)

	Transferred To					
	Governmental Funds					
Transferred From	**General Fund**	**Education Fund**	**Transportation Fund**	**Transportation Investment Fund**	**Trust Lands**	**Nonmajor Governmental Funds**
General Fund	$ —	$ 7,646	$ 66,476	$ —	$ 37	$ 103,331
Education Fund	270,960	—	—	—	—	38,736
Transportation Fund	44,537	—	—	82,634	—	21,794
Transportation Investment Fund	—	—	—	—	—	299,497
Nonmajor Governmental Funds	69,070	—	—	—	—	4,467
Unemployment Compensation	7,871	—	—	—	—	—
Water Loan Programs	4,265	—	—	—	—	—
Nonmajor Enterprise Funds	71,625	—	—	—	2,441	—
Internal Service Funds	2,000	—	—	—	—	—
Total	$ 470,328	$ 7,646	$ 66,476	$ 82,634	$ 2,478	$ 467,825

Continues Below

	Transferred To			
	Enterprise Funds			
Transferred From	**Community Impact Loan Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total**
General Fund	$ 40,868	$ 2,243	$ 95	$ 220,696
Education Fund	—	—	—	309,696
Transportation Fund	—	—	—	148,965
Transportation Investment Fund	—	—	—	299,497
Nonmajor Governmental Funds	—	—	—	73,537
Unemployment Compensation	—	—	—	7,871
Water Loan Programs	—	—	—	4,265
Nonmajor Enterprise Funds	—	—	—	74,066
Internal Service Funds	—	—	—	2,000
Total	$ 40,868	$ 2,243	$ 95	$ 1,140,593

Transfers from major governmental funds to nonmajor governmental funds are primarily for debt service expenditures and capital facility construction. Transfers from the General Fund to the Community Impact Loan Fund (major enterprise fund) are primarily mineral lease royalties used to make loans and grants to local governments. 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 2012, the Legislature authorized transfers of $2 million from the Internal Service Funds to the General Fund to subsidize general fund revenues. In addition, the Legislature authorized payments of $721.178 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.

- 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 $47.881 million plus attorneys' fees and interest and other cases where the amount of potential loss is undeterminable. Some portions of the amounts sought have been paid by the State or placed in escrow.

B. **Contingencies**

- The State receives a significant amount of funding from the federal government. Funds flowing from the federal government to the State are subject to changes to federal laws and appropriations. Based on the reported financial position of the federal government, including disclosures concerning fiscal sustainability, it is at least reasonably possible that events will occur in the near term that will significantly affect the flow of federal funds to the State. The State is taking action to identify and address the impact a significant reduction of federal funds will have on the programs and operations of the State including requiring contingency plans from state agencies.

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. 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, 2012, will be available in November 2012.

- The Board of directors for the Utah Capital Investment Corporation (an independent quasi-public nonprofit corporation) has been authorized to issue and use up to $300 million in contingent tax credit certificates to mobilize private investment and enhance the venture capital culture and infrastructure within the State. The certificates are structured so 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.

- 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 uncertainty in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.

- The State is self-insured for liability claims up to $1 million and beyond the excess insurance policy limit of $10 million. The State is self-insured for individual property and casualty claims up to $1 million and up to $3.5 million in aggregate claims and beyond the excess insurance policy limit of $700 million per occurrence. According to an actuarial study and other known factors, $44.7 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 Guaranteed Bonds.

  In the event a school board is unable to make the scheduled debt service payments on its Guaranteed 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 Guaranteed 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 Guaranteed Bonds for any significant period of time.

  Local school boards have $2.555 billion principal amount of Guaranteed Bonds outstanding at June 30, 2012. The State cannot predict the amount of bonds that may be guaranteed 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 $36.427 million from tobacco companies in fiscal year 2012 and expects to receive approximately $36.9 million in fiscal year 2013. 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, 2012, the Industrial Assistance Program of the General Fund had grant commitments of $1.884 million, contingent on participating companies meeting certain performance criteria.

- At June 30, 2012, the Economic Development Tax Increment Financing Incentive program (EDTIF) had outstanding long-term contract commitments for General Fund cash rebates of $97.711 million and Education Fund tax credits of $414.389 million. These cash rebates and tax credits are contingent on participating companies meeting certain economic development performance criteria.

- At June 30, 2012, the Motion Picture Incentive Program had outstanding contract commitments for General Fund cash rebates of $2.649 million and Education Fund tax credits of $7.37 million. These cash rebates and credits are contingent on participating motion picture companies meeting certain within-the-state production criteria.

- Utah Retirement Systems (defined benefit pension plans and defined contribution plans) has at its yearend December 31, 2011, committed to fund certain private equity partnerships and real estate projects for an amount of $7.553 billion. Funding of $4.94 billion has been provided, leaving an unfunded commitment of $2.613 billion as of December 31, 2011.

- As of June 30, 2012, 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 $70.021 million.

  The Utah Housing Corporation (major component unit) had one Revolving Credit Note in the amount of $3 million maturing on March 26, 2012. At June 30, 2012, there is no outstanding balance on this Revolving Credit Note.

  On July 15, 2010, the Corporation entered into a revolving credit agreement with a $150 million line of credit for the acquisition and financing of mortgage loans. During the year the amount available was reduced from $150 million to $50 million. This revolving credit agreement matured on July 14, 2012. The current outstanding balance as of June 30, 2012, was $6.782 million. Interest paid on amounts drawn ranged from 0.947 – 1.068 percent and was calculated at one month LIBOR plus 0.6 percent; with the one month LIBOR rate not to be less than 0.25 percent. Subsequent to the year ended June 30, 2012, this revolving line of credit was renewed and extended through July 12, 2013.

- At June 30, 2012, the enterprise funds had loan commitments of approximately $135.8 million and grant commitments of approximately $48.152 million.

- At June 30, 2012, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Programs, major enterprise fund) had guaranteed student loans outstanding with a current principal and interest balance of $1.588 billion.

- At June 30, 2012, the Permanent Trust Lands Fund (permanent fund) had real estate commitments of $115 million, of which $45.4 million have been called and $1.612 million have been released, leaving a remaining commitment of $67.988 million.

- At June 30, 2012, the Utah Department of Transportation had construction and other contract commitments of $606.8 million, of which $331.3 million is for Transportation Fund (major special revenue fund) and $275.5 million is for projects within the Transportation Investment Fund (major capital projects fund) highway projects. These commitments will be funded with future appropriations in the Transportation Fund and through proceeds of general obligation bonds and future appropriations in the Transportation Investment Fund.

- At June 30, 2012, the State's capital projects funds (nonmajor capital projects funds) had construction commitments of $242.328 million. These commitments will be funded with legislative appropriations, intergovernmental revenues, and proceeds of general obligation and lease revenue bonds.

- Under the terms of various limited partnership agreements approved by the Board of Trustees or by the University of Utah (major component unit) officers, the University is obligated to make periodic payments for advance commitments to venture capital and private equity investments. As of June 30, 2012, the University had committed, but not paid, a total of $23.7 million in funding for these alternative investments.

- Under the terms of various limited partnership agreements approved by the Board of Trustees or by the Utah State University (major component unit) officers, the University is obligated to make periodic payments for advance commitments to venture capital, natural resource, and private equity investments. As of June 30, 2012, the University had committed, but not paid, a total of $6.051 million in funding for these alternative investments.

NOTE 15. JOINT VENTURE

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

UCAN's governing board consists of twelve 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 $2.765 million of revenue bonds outstanding at June 30, 2012. UCAN's debt is not a legal obligation of the State; however, if UCAN cannot meet its debt service requirements, state law allows the Governor to request an appropriation to restore the debt service reserve fund to its required level or to meet any principal or interest payment deficiency. The Legislature is not required to make any such appropriation, but if made, UCAN must repay the State within 18 months. To date, UCAN has never requested any such funding from the State and has had sufficient resources to cover its debt service and debt service reserve requirements.

The Office of the Utah State Auditor audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the Office of the Utah State Auditor.

The Utah Education Network (UEN) is a publicly funded consortium administered by the University of Utah (major component unit) supporting educational technology needs for Utah's public and higher education institutions, public libraries, and state agencies. UEN provides internet access for all Utah public middle schools, high schools, and higher education institutions. UEN also operates a fully interactive distance learning network interconnecting public schools and higher education institutions statewide. State appropriation support of UEN amounted to $17.08

million for the year ended June 30, 2012. UEN is not separately audited but is included in the audited financial statements of KUEN, a public broadcasting television station operated by the University. Copies of those statements can be obtained from KUEN's administrative offices.

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 Title 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, 2011, financial report has been included in this Comprehensive Annual Financial Report as a pension trust fund for the Utah Retirement Systems (URS) within the fiduciary funds. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

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

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); 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 Legislators Retirement Plan, which are single-employer service employee retirement systems;
- The Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees); and the Tier 2 Public Safety and Firefighters Contributory System (Tier 2 Safety and Firefighters), which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;
- 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 Title 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

	Noncontributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighters System
Final Average Salary...	Highest 3 Years	Highest 5 Years	Highest 3 Years		Highest 2 Years	Highest 5 Years	Highest 5 Years
Years of Service Required and/or Age Eligible for Benefit ..	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	30 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	35 years any age 20 years age 60 10 years age 62 4 years age 65	25 years any age 20 years age 60 10 years age 62 4 years age 65
Benefit Percent per Year of Service** ...	2.00% per year all years	1.25% per year to June 1975 2.00% per year July 1975 to present	2.50% per year up to 20 years 2.00% per year over 20 years		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years	1.50% per year all years	1.50% per year all years

Note: The Utah Governors and Legislators Retirement Plan benefits are explained below.

* With actuarial reductions.

** For members and retirees in the systems, prior to January 1, 1990, there may be a 3 percent benefit enhancement.

Former governors at age 65 receive $1,260 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 $27.60 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.

Participating Membership by System
December 31, 2011

	Non-contributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Utah Governors and Legislators Retirement Plan	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighters System
Employers	430	159	130	57	1	1	456	145
Members:								
Active	87,901	2,137	7,619	1,932	111	115	4,777	99
Terminated Vested	32,784	1,216	2,784	164	6	79	—	—
Retirees and Beneficiaries:								
Service Benefits	38,216	4,550	4,116	1,087	115	220	—	—
Disability Benefits	—	2	9	86	—	—	—	—

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 a closed 23 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.

(Table on next page.)

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

	Non-contributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Utah Governors and Legislators Retirement Plan	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighters System
Primary Government:								
2012	$ 116,876	$ 2,988	$ 38,758	$ 159	$ 3,839	$ 214	$1,492	$ 56
2011	$ 117,029	$ 3,246	$ 36,439	$ 130	$ 3,475	$ 153	$ —	$ —
2010	$ 103,548	$ 3,333	$ 34,342	$ 81	$ 2,427	$ —	$ —	$ —
2009	$ 106,881	$ 3,692	$ 33,711	$ 76	$ 1,980	$ —	$ —	$ —
2008	$ 101,591	$ 3,792	$ 29,261	$ 75	$ 1,737	$ —	$ —	$ —
Component Units:								
Colleges and Universities:								
2012	$ 47,555	$ 1,993	$ 699	$ —	$ —	$ —	$ 967	$ 4
2011	$ 45,449	$ 1,998	$ 639	$ —	$ —	$ —	$ —	$ —
2010	$ 40,385	$ 1,905	$ 639	$ —	$ —	$ —	$ —	$ —
2009	$ 42,026	$ 2,133	$ 596	$ —	$ —	$ —	$ —	$ —
2008	$ 40,781	$ 2,160	$ 498	$ —	$ —	$ —	$ —	$ —
Other:								
2012	$ 4,422	$ 73	$ —	$ —	$ —	$ —	$ 56	$ —
2011	$ 4,083	$ 64	$ —	$ —	$ —	$ —	$ —	$ —
2010	$ 3,580	$ 53	$ —	$ —	$ —	$ —	$ —	$ —
2009	$ 3,483	$ 70	$ —	$ —	$ —	$ —	$ —	$ —
2008	$ 2,938	$ 76	$ —	$ —	$ —	$ —	$ —	$ —
Total Primary Government and Component Units:								
2012	$ 168,853	$ 5,054	$ 39,457	$ 159	$ 3,839	$ 214	$2,515	$ 60
2011	$ 166,561	$ 5,308	$ 37,078	$ 130	$ 3,475	$ 153	$ —	$ —
2010	$ 147,513	$ 5,291	$ 34,981	$ 81	$ 2,427	$ —	$ —	$ —
2009	$ 152,390	$ 5,895	$ 34,307	$ 76	$ 1,980	$ —	$ —	$ —
2008	$ 145,310	$ 6,028	$ 29,759	$ 75	$ 1,737	$ —	$ —	$ —

The following table summarizes contribution rates in effect at December 31, 2011:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Noncontributory	—	13.77 % – 16.86 %	—
Contributory	6.00 %	9.76 % – 12.37 %	—
Public Safety:			
Contributory	10.50 % – 12.29 %	15.78 % – 23.22 %	—
Noncontributory	—	27.07 % – 36.71 %	—
Firefighters:			
Division A	15.05 %	0.50 %	11.87 %
Division B	16.18 %	—	11.34 %
Judges:			
Noncontributory	—	25.82 %	14.26 %
Utah Governors and Legislators	—	$153,398	—
Tier 2 Public Employees	—	12.74 % – 15.15 %	—
Tier 2 Public Safety and Firefighters	—	12.19 % – 27.37 %	—

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 375 employers participating in the 401(k) Plan and 160 employers participating in the 457 Plan. There are 146,187 plan participants in the 401(k) Plan, 16,661 participants in the 457 Plan, 3,281 participants in the Roth IRA Plan, 740 participants in the Traditional IRA Plan, and 1,748 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 defined contribution 401(k), 457, 403(b), 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, 2012, by employees and employers are as follows: for Primary Government, $31.114 million and $16.379 million; for Component Units – Colleges and Universities, $4.324 million and $7.493 million; for Component Units – Other, $1.049 million and $876 thousand; and the combined total for all is $36.487 million and $24.748 million, respectively. The amounts contributed by employees to the 457, Roth and Traditional IRA Plans (Primary Government) are $6.771 million, $1.844 million, and $89 thousand, respectively.

Employees of the University of Utah (major component unit) may also contribute to a 403(b) plan. For employees enrolled in the Hospital Retirement Plan and contribute to a 403(b) plan, the University matches up to 3 percent of an employee's contribution. Total University employee contributions to the 403(b) plans for the fiscal year were approximately $47.843 million.

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 and/or property cash flow. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors have determined the fair value for the individual investments. Approximately 10 percent of the net assets held in trust for the pension benefits are invested in debt securities of the U.S. Government and its instrumentalities. Of the 10 percent, approximately 5 percent are U.S. Government debt securities and 5 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	Firefighters System	Judges System	Utah Governors and Legislators Retirement Plan	Tier 2 Public Safety Employees System
Receivables:							
Member Contributions	$ —	$ 301	$ 37	$ 636	$ —	$ —	$ —
Employer Contributions	34,994	563	4,030	—	147	—	542
Court Fees and Fire Insurance Premium	—	—	—	3,084	223	—	—
Investments	349,372	22,240	46,134	16,739	2,700	196	50
Total Receivables	$ 384,366	$ 23,104	$ 50,201	$ 20,459	$ 3,070	$ 196	$ 592
Investments:							
Debt Securities	$ 3,212,336	$ 204,489	$ 424,188	$ 153,905	$ 24,822	$ 1,805	$ 455
Equity Investments	5,848,825	372,321	772,339	280,220	45,195	3,285	829
Absolute Return	2,625,059	167,104	346,641	125,768	20,284	1,474	372
Private Equity	1,800,558	114,619	237,765	86,266	13,913	1,011	255
Real Assets	2,304,953	146,727	304,370	110,432	17,811	1,295	327
Mortgage Loans	5,468	348	721	262	42	3	1
Invested Securities Lending Collateral	1,383,847	88,092	182,738	66,301	10,693	777	196
Total Investments	$ 17,181,046	$ 1,093,700	$ 2,268,762	$ 823,154	$ 132,760	$ 9,650	$ 2,435

Continues Below

	Tier 2 Public Safety and Firefighters System	401 (k) Plan	457 Plan	IRA Plans	Health Reimbursement Arrangement	Total December 31, 2011
Receivables:						
Member Contributions	$ —	$ —	$ —	$ —	$ —	$ 974
Employer Contributions	12	—	—	—	—	40,288
Court Fees and Fire Insurance Premium	—	—	—	—	—	3,307
Investments	2	73,442	7,439	—	817	519,131
Total Receivables	$ 14	$ 73,442	$ 7,439	$ 0	$ 817	$ 563,700
Investments:						
Debt Securities	$ 15	$ 1,336,281	$ 149,369	$ 28,846	$ —	$ 5,536,511
Equity Investments	27	1,437,409	160,647	24,636	—	8,945,733
Absolute Return	12	—	—	—	—	3,286,714
Private Equity	9	—	—	—	—	2,254,396
Real Assets	11	34,963	4,049	943	—	2,925,881
Mortgage Loans	—	—	—	—	—	6,845
Invested Securities Lending Collateral	7	—	—	—	—	1,732,651
Total Investments	$ 81	$ 2,808,653	$ 314,065	$ 54,425	$ 0	$ 24,688,731

Actuarial Methods and Assumptions

The information contained in the Schedules of Funding Progress is based on the actuarial study dated January 1, 2011, and calendar year 2011 activity. The actuarial accrued liability is presented based on the report generated by that study, conducted by Gabriel, Roeder, Smith & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate. Beginning with the 2008 actuarial study, the investment rate of return assumption was changed from 8 percent to 7.75 percent. The 2011 actuarial study further reduced the investment rate of return assumption from 7.75 percent to 7.5 percent. Investment income in excess or shortfall of the expected rate 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.

The Tier 2 Public Employees and Tier 2 Public Safety and Firefighters Systems have no actuarial accrued liability as of January 1, 2011. The effective date of the new Tier 2 Retirement Systems was July 1, 2011. All systems except Tier 2 as noted above use: (1) the entry age actuarial cost method and the level percent of payroll amortization method except the Utah Governors and Legislators Retirement Plan which uses the level dollar amount amortization method; (2) the remaining amortization period is an open group, 23 years, closed period; and (3) an inflation rate of 2.75 percent. Post-retirement cost of living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The adjustments are also limited to the actual CPI increase for the year, although unused CPI increases not met may be carried forward to subsequent years. Below are the Schedules of Funding Progress.

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

	Non-contributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Utah Governors and Legislators Retirement Plan	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighters System
Actuarial Value of Assets:								
January 1, 2010	$ 16,619,831	$ 1,116,736	$ 2,137,027	$ 802,576	$ 131,491	$ 10,769	$ —	$ —
January 1, 2011	$ 16,852,691	$ 1,132,661	$ 2,194,016	$ 810,216	$ 131,869	$ 10,197	$ —	$ —
December 31, 2011	$ 16,861,064	$ 1,080,139	$ 2,222,202	$ 810,764	$ 130,561	$ 9,565	$ 2,833	$ 90
Actuarial Accrued Liability (AAL):								
January 1, 2010	$ 19,384,503	$ 1,236,009	$ 2,650,675	$ 833,844	$ 158,303	$ 11,305	$ —	$ —
January 1, 2011	$ 20,388,759	$ 1,251,412	$ 2,844,101	$ 872,133	$ 167,581	$ 11,513	$ —	$ —
December 31, 2011	$ 21,516,510	$ 1,278,272	$ 3,044,707	$ 926,634	$ 175,763	$ 11,722	$ 2,806	$ 90
Unfunded Actuarial Accrued Liability (UAAL):								
January 1, 2010	$ 2,764,672	$ 119,273	$ 513,648	$ 31,268	$ 26,812	$ 536	$ —	$ —
January 1, 2011	$ 3,536,068	$ 118,751	$ 650,085	$ 61,917	$ 35,712	$ 1,316	$ —	$ —
December 31, 2011	$ 4,655,446	$ 198,133	$ 822,505	$ 115,870	$ 45,202	$ 2,157	$ (27)	$ —
Funding Ratios:								
January 1, 2010	85.7 %	90.4 %	80.6 %	96.3 %	83.1 %	95.3 %	—	—
January 1, 2011	82.7 %	90.5 %	77.1 %	92.9 %	78.7 %	88.6 %	—	—
December 31, 2011	78.4 %	84.5 %	73.0 %	87.5 %	74.3 %	81.6 %	101.0 %	100.0 %
Annual Covered Payroll:								
January 1, 2010	$ 3,955,040	$ 127,804	$ 373,959	$ 107,625	$ 14,434	$ 910	$ —	$ —
January 1, 2011	$ 3,888,179	$ 116,395	$ 363,037	$ 105,275	$ 14,234	$ 910	$ —	$ —
December 31, 2011	$ 3,900,106	$ 110,103	$ 374,293	$ 110,751	$ 14,918	$ 910	$ 36,821	$ 855
UAAL as a Percent of Covered Payroll:								
January 1, 2010	69.9 %	93.3 %	137.4 %	29.1 %	185.8 %	58.9 %	—	—
January 1, 2011	90.9 %	102.0 %	179.1 %	58.8 %	250.9 %	144.6 %	—	—
December 31, 2011	119.4 %	180.0 %	219.7 %	104.6 %	303.0 %	237.0 %	(0.1) %	0.0 %

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

Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA–CREF) and Fidelity Investments, 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 colleges and universities (component units) to the TIAA–CREF retirement system for June 30, 2012 and 2011, were $151.23 million and $145.144 million, respectively.

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

A. **Other Postemployment Benefit Plans**

The State administers the State Employee Other Postemployment Benefit Plan (State Employee OPEB Plan) through the State Post-Retirement Benefits Trust Fund as set forth in Section 67–19d–201 of the *Utah Code*. A separate Elected Official Other Postemployment Benefit Plan (Elected Official OPEB Plan) is provided for governors and legislators, and this Plan is administered through the Elected Official Post-Retirement Benefits Trust Fund as set forth in Section 67–19d–201.5 of the *Utah Code*. The Elected Official Post-Retirement Benefits Trust Fund was established during the 2012 Legislative General Session and became effective March of 2012. Both trust funds are irrevocable and legally protected from creditors. Both are also administered 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.

Neither the State Post-Retirement Benefits Trust Fund, nor the Elected Official Post-Retirement Benefits Trust Fund issues a publicly available financial report, but are 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.

The State Legislature currently plans to contribute amounts to each trust fund that, at a minimum, is sufficient to fully fund the Annual Required Contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. There are no long-term contracts for contributions to the plans.

B. **State Employee Other Postemployment Benefit Plan**

At the option of individual state agencies, employees may participate in the State Employee OPEB Plan, a single-employer defined benefit healthcare plan, as set forth in Section 67–19–14(2) of the *Utah Code*. Only state employees entitled to receive retirement benefits are eligible to receive postemployment health and life insurance benefits, and in some situations dental coverage, from the State Employee 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 eight hours 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. 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. In addition, any full-time employee of the Utah State Board of Education, who has attained at least five consecutive years of service with the agency, has the option of receiving postemployment health, dental, and life insurance coverage for up to five years or until the employee reaches age 65 regardless of their unused sick leave balance. Also, judges have their own retiree health coverage that is part of the State Employee OPEB Plan. As of December 31, 2010, the date of the latest actuarial valuation, approximately 5,872 retirees and their beneficiaries were receiving postemployment health and life insurance benefits, and an estimated 11,875 active state employees are eligible to receive future benefits under the State Employee OPEB Plan.

The contribution requirements of employees and the State are established and may be amended by the State Legislature. For retirees that participate in the State Employee OPEB Plan, health insurance premiums are paid 100 percent by the State for individuals that retired before July 1, 2000. Individuals retiring thereafter are required to contribute specified amounts monthly, ranging from 10 percent to 31.6 percent, toward the cost of health insurance premiums. For the year ended June 30, 2012, retirees contributed $1.436 million, or approximately 4.5 percent of total premiums, through their required contributions of $41.58 to $606.83 per month depending on the coverage (single, double, or family) and health plan selected.

The Annual Required Contribution (ARC) of $37.594 million, from the December 31, 2010, actuarial valuation is 6.4 percent of annual covered payroll. This ARC was used to establish the annual budget for fiscal year 2012; however the State Legislature decided to contribute $43.293 million for the fiscal year, slightly more than the required ARC. This overfunding of the ARC resulted in a net OPEB asset of $5.699 million.

C. **Elected Official Other Postemployment Benefit Plan**

The Elected Official Other Postemployment Benefit Plan (Elected Official OPEB Plan) is a single-employer defined benefit healthcare plan, as set forth in Section 49–20–404 of the *Utah Code*. Only governors and legislators (elected officials) that retire after January 1, 1998 and have 4 or more years of service can elect to receive and apply for health coverage or Medicare supplemental coverage. The State will pay 40 percent of the benefit cost for 4 years of service

and up to 100 percent for ten or more years of service, for elected officials, and their spouses.

To qualify for health coverage, elected officials must be between 62 and 65 years of age and either be active members at the time of retirement or have continued coverage with the program until the date of eligibility. In addition, to qualify for health coverage elected officials must begin their service as a legislator or governor prior to January 1, 2012.

To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. In addition, the elected official must retire under Chapter 19, *Utah Governors' and Legislators' Retirement Act*, and begin their service as an elected official prior to July 1, 2011.

As of December 31, 2010, the date of the latest actuarial valuation, approximately 44 retirees and their beneficiaries were receiving health or Medicare supplemental coverage, and an estimated 169 active and former elected officials may receive future benefits for themselves and qualifying dependents under the Elected Official Other Postemployment Benefit Plan. For the year ended June 30, 2012, elected officials that participated in the Elected Official OPEB Plan contributed $27 thousand, or approximately 7.1 percent of total premiums, through their required contributions of $0 (for ten or more years of service) to $663.52 per month (for four years of service) depending on the coverage (single or double) and health plan selected.

The Annual Required Contribution (ARC) of $1.894 million, from the December 31, 2010, actuarial valuation is 245.65 percent of annual covered payroll. For the fiscal year 2012, the State Legislature decided to contribute $3.47 million, $1.576 million more than the ARC.

The following table shows the components of the annual OPEB cost for the year, amount actually contributed to the plan, and changes in the net OPEB obligation for both the State Employee and Elected Official OPEB plans for fiscal year 2012 (dollar amount in thousands):

	State Employee OPEB Plan	Elected Official OPEB Plan
Annual required contribution	$ 37,594	$ 1,894
Interest on net OPEB obligation	—	286
Adjustment to annual required contribution	—	(413)
Annual OPEB cost (expense)	37,594	1,767
Contributions made	(43,293)	(3,470)
Increase (decrease) in net OPEB obligation	(5,699)	(1,703)
Net OPEB obligation (asset) – Beginning of year	0	7,142
Net OPEB obligation (asset) – End of year	$ (5,699)	$ 5,439

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2012 and the two preceding years for both the State Employee and Elected Official OPEB plans were as follows (dollar amount in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employee OPEB Plan	6/30/2010	$ 43,819	100.00 %	$ —
	6/30/2011	$ 43,819	100.00 %	$ —
	6/30/2012	$ 37,594	115.16 %	$ (5,699)
Elected Official OPEB Plan	6/30/2010	$ 2,118	16.18 %	$ 5,693
	6/30/2011	$ 1,793	19.18 %	$ 7,142
	6/30/2012	$ 1,767	196.38 %	$ 5,439

The funded status of both the State Employee and Elected Official OPEB plans as of December 31, 2010 was as follows (dollar amount in thousands):

	State Employee OPEB Plan	Elected Official OPEB Plan
Actuarial accrued liability	$ 481,393	$ 21,990
Actuarial value of plan assets	106,605	—
Unfunded actuarial accrued liability (funding excess)	$ 374,788	$ 21,990
Funded ratio	22.1 %	0.0 %
Covered payroll	$ 589,817	$ 771
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	63.54 %	2,852.14 %

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and assumptions of both the State Employee and Elected Official OPEB plans as of December 31, 2010 were as follows:

	State Employee OPEB Plan	Elected Official OPEB Plan
Actuarial valuation date	12/31/2010	12/31/2010
Actuarial cost method	Projected Unit Credit	
Amortization method	Level Dollar Amount; Open	
Remaining amortization period	25 years	30 years
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions:		
Investment rate of return *	4.5 %	4.0 %
Healthcare inflation rate	9.5 % initial 4.5 % ultimate	

***** Includes an inflation assumption of 2.5 percent.

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 (major 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 (major and nonmajor component units) each maintain self-insurance funds to manage health/dental 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 had property losses that exceeded the State's self-insured aggregate claim limit of $3.5 million for the fiscal year ended June 30, 2010. However, these losses did not exceed the State's commercial excess insurance coverage. The State did not have any losses or settlements that exceeded the State's self-insured aggregate claim limit or commercial excess insurance coverage for the fiscal year ended June 30, 2011. The State had property losses that exceeded the State's self-insured aggregate claim limit of $3.5 million for the fiscal year ended June 30, 2012, but these losses did not exceed the State's commercial excess insurance coverage. 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 1 percent. The Public Employees Health Program long-term disability benefit reserves are reported using discount rates between 3.25 and 7.75 percent. The primary government and the discrete component units of the State paid premiums to the Public Employees Health Program of $224.195 million and $30.347 million, respectively, for health and life insurance coverage in fiscal year 2012. In addition, the State Department of Health paid $967 thousand in premiums to the Public Employees Health Program for the Children's Health Insurance Program (CHIP).

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, 2012, there are 296 state employees receiving benefits. The program is funded by paying premiums to the Public Employees Health Program (major component unit), where assets are set aside for future payments. For the fiscal year ended June 30, 2012, the primary government and the discrete component units of the State paid premiums of $5.228 million and $153 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, 2011 and June 30, 2012:

(Table on next page.)

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2011	$ 41,897	$ 11,179	$ (10,345)	$ 42,731
2012	$ 42,731	$ 12,654	$ (10,685)	$ 44,700
Public Employees Health Program:				
2011	$ 122,388	$ 515,851	$(524,008)	$ 114,231
2012	$ 114,231	$ 526,273	$(507,626)	$ 132,878
College and University Self-Insurance:				
2011	$ 60,094	$ 278,115	$(279,627)	$ 58,582
2012	$ 58,582	$ 294,789	$(290,977)	$ 62,394

NOTE 19. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the Permanent Trust Lands Fund (permanent fund) had real estate commitments of $20 million.

On October 3, 2012, the State issued $37.35 million of General Obligation and Refunding Bonds Series 2012 A. Principal on the bonds is due annually commencing July 1, 2014 through July 1, 2017. Interest rates on the Series 2012 A bonds range from 4 percent to 5 percent, with a "true interest rate" of 0.596 percent after considering premium received upon the sale of the bonds. Proceeds of the bonds will be used for capital facilities projects and to advance refund certain 2004 B Series bonds. These funds will be paid to an escrow agent to be placed in an irrevocable trust account to provide for the debt service payments on the refunded bonds.

Subsequent to June 30, 2012, the Utah Housing Corporation (nonmajor component unit) refunded $237.335 million of variable rate Single Family Bonds. With the refunding of these bonds a modification was also required to a corresponding portion of underlying swap agreements as well as a cancellation of a corresponding portion of the Corporation's liquidity facility with TCLP. The corresponding swap agreements were modified to change the underlying floating rate index from SIFMA to LIBOR. Subsequent to June 30, 2012, the Utah Housing Corporation (nonmajor component unit) also issued $10 million of taxable Single Family Housing bonds.

On July 10, 2012, the University of Utah (major component unit) issued $46.235 million of Auxiliary and Campus Facilities System Revenue Bonds Series 2012 A. Principal on the bonds is due annually commencing April 1, 2013 through April 1, 2032. Bond interest is due semiannually commencing October 1, 2012, at rates ranging from 2 percent to 5 percent. Proceeds from these bonds are to be used to expand the Dee Glen Smith Athletic Center and to construct an ambulatory care parking structure.

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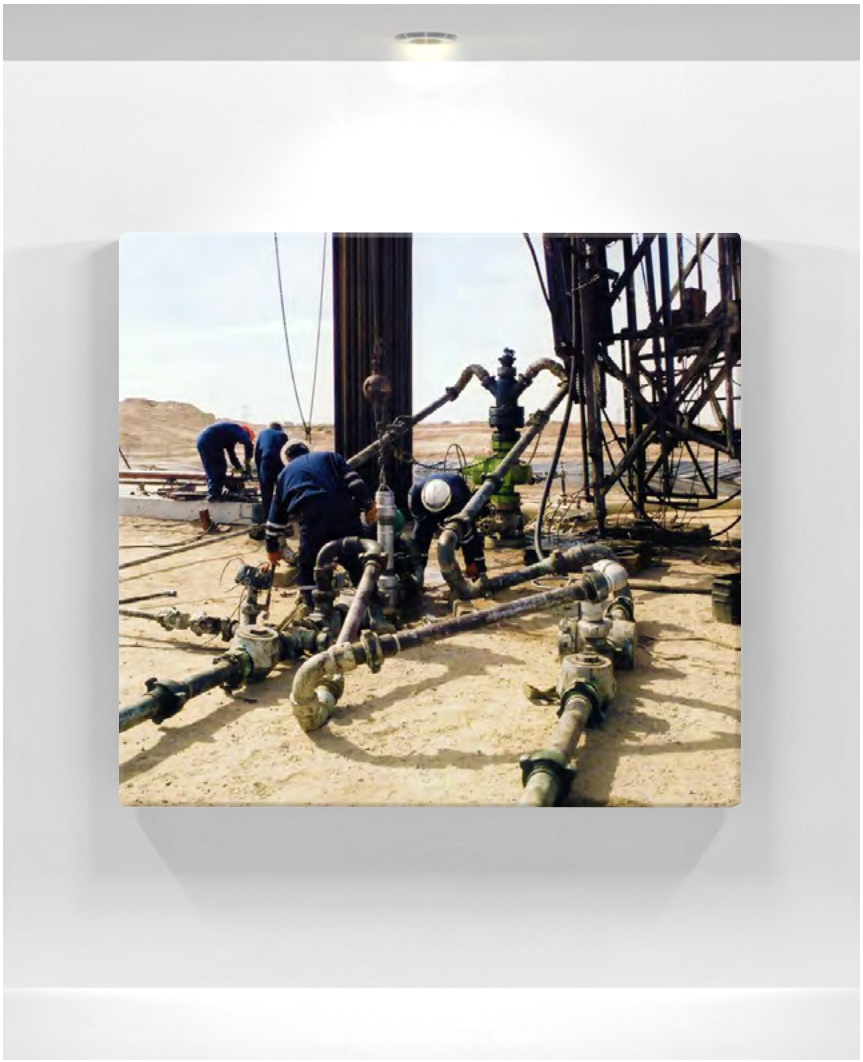

REQUIRED SUPPLEMENTARY INFORMATION

Business expansion is facilitated in Utah by the State's low cost of energy, excellent infrastructure, and business-friendly regulatory environment.

Photo courtesy Garry Miller/Chasel Energy.

State of Utah

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,521,446	$ 1,575,097	$ 1,582,530	$ 7,433
Licenses, Permits, and Fees:				
Insurance Fees	4,053	—	—	—
Court Fees	13,124	21,057	14,603	(6,454)
Other Licenses, Permits, and Fees	15,924	9,624	13,862	4,238
Investment Income	3,800	5,700	5,625	(75)
Miscellaneous Taxes and Other:				
Beer Tax	5,064	7,481	8,425	944
Cigarette and Tobacco Tax	106,475	117,522	116,974	(548)
Inheritance Tax	30	—	—	—
Insurance Premium Tax	82,503	78,200	84,414	6,214
Oil, Gas, and Mining Severance Tax	101,373	96,300	90,942	(5,358)
Taxpayer Rebates	(6,800)	(6,200)	(6,796)	(596)
Court Collections	2,713	4,128	3,831	(297)
Other Taxes	31,317	34,105	34,986	881
Miscellaneous Other	21,349	45,088	41,998	(3,090)
Total General Revenues	1,902,371	1,988,102	1,991,394	3,292
Department Specific Revenues				
Sales Tax	3,722	3,860	3,860	—
Federal Contracts and Grants	2,847,075	2,550,694	2,550,694	—
Departmental Collections	370,796	400,620	421,125	20,505
Higher Education Collections	498,587	624,958	624,958	—
Federal Mineral Lease	149,466	154,335	183,739	29,404
Investment Income	2,199	3,271	3,150	(121)
Miscellaneous	499,911	486,341	479,800	(6,541)
Total Department Specific Revenues	4,371,756	4,224,079	4,267,326	43,247
Total Revenues	6,274,127	6,212,181	6,258,720	46,539
Expenditures				
General Government	374,407	385,474	324,211	61,263
Human Services and Juvenile Justice Services	664,927	661,933	651,977	9,956
Corrections	267,585	268,625	242,238	26,387
Public Safety	253,794	266,991	223,580	43,411
Courts	130,031	130,787	127,219	3,568
Health and Environmental Quality	2,150,092	2,445,457	2,401,862	43,595
Higher Education – State Administration	67,811	50,033	49,360	673
Higher Education – Colleges and Universities	1,201,979	1,333,251	1,333,113	138
Employment and Family Services	729,864	731,465	722,958	8,507
Natural Resources	208,782	178,654	159,198	19,456
Community and Culture	274,082	141,408	137,924	3,484
Business, Labor, and Agriculture	155,457	103,085	89,895	13,190
Total Expenditures	6,478,811	6,697,163	6,463,535	233,628
Excess Revenues Over (Under) Expenditures	(204,684)	(484,982)	(204,815)	280,167
Other Financing Sources (Uses)				
Sale of Capital Assets	—	—	10	10
Transfers In	334,993	472,978	472,978	—
Transfers Out	(156,085)	(224,165)	(224,165)	—
Total Other Financing Sources (Uses)	178,908	248,813	248,823	10
Net Change in Fund Balance	(25,776)	(236,169)	44,008	280,177
Budgetary Fund Balance – Beginning	523,016	523,016	523,016	—
Budgetary Fund Balance – Ending	$ 497,240	$ 286,847	$ 567,024	$ 280,177

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

Budgetary Comparison Schedule
Education Fund

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 2,411,168	$ 2,454,906	$ 2,478,638	$ 23,732
Corporate Tax	272,307	239,741	272,355	32,614
Miscellaneous Other	18,900	17,200	30,880	13,680
Total General Revenues	2,702,375	2,711,847	2,781,873	70,026
Department Specific Revenues				
Federal Contracts and Grants	327,546	544,833	544,833	—
Departmental Collections	1,833	6,664	6,664	—
Investment Income	23,350	23,406	28,814	5,408
Miscellaneous:				
School Lunch Tax	21,600	32,039	32,039	—
Driver Education Fee	4,980	5,108	5,108	—
Other	6,933	7,336	7,493	157
Total Department Specific Revenues	386,242	619,386	624,951	5,565
Total Revenues	3,088,617	3,331,233	3,406,824	75,591
Expenditures				
Public Education	2,896,973	3,141,419	3,028,720	112,699
Total Expenditures	2,896,973	3,141,419	3,028,720	112,699
Excess Revenues Over (Under) Expenditures	191,644	189,814	378,104	188,290
Other Financing Sources (Uses)				
Transfers In	38,696	7,646	7,646	—
Transfers Out	(309,696)	(309,696)	(309,696)	—
Total Other Financing Sources (Uses)	(271,000)	(302,050)	(302,050)	0
Net Change in Fund Balance	(79,356)	(112,236)	76,054	188,290
Budgetary Fund Balance – Beginning	333,694	333,694	333,694	—
Budgetary Fund Balance – Ending	$ 254,338	$ 221,458	$ 409,748	$ 188,290

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, 2012 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 254,937	$ 252,300	$ 252,954	$ 654
Special Fuel Tax	109,713	104,100	104,099	(1)
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	32,508	39,387	35,686	(3,701)
Proportional Registration Fees	15,266	15,879	15,408	(471)
Temporary Permits	396	480	435	(45)
Special Transportation Permits	9,599	11,124	9,872	(1,252)
Highway Use Permits	11,421	9,952	10,107	155
Motor Vehicle Control Fees	4,438	5,312	4,777	(535)
Miscellaneous	1,972	2,066	2,282	216
Investment Income	—	200	596	396
Miscellaneous Other	2,500	—	5	5
Total General Revenues	442,750	440,800	436,221	(4,579)
Department Specific Revenues				
Sales and Aviation Fuel Taxes	69,257	70,342	74,283	3,941
Federal Contracts and Grants	181,507	454,343	454,343	—
Departmental Collections	80,810	89,433	89,122	(311)
Federal Aeronautics	40,000	43,001	22,883	(20,118)
Investment Income	125	125	42	(83)
Miscellaneous	20,513	69,479	71,216	1,737
Total Department Specific Revenues	392,212	726,723	711,889	(14,834)
Total Revenues	834,962	1,167,523	1,148,110	(19,413)
Expenditures				
Transportation	699,761	1,101,796	1,087,500	14,296
Total Expenditures	699,761	1,101,796	1,087,500	14,296
Excess Revenues Over (Under) Expenditures	135,201	65,727	60,610	(5,117)
Other Financing Sources (Uses)				
Sale of Capital Assets	500	—	12,276	12,276
Transfers In	73,080	66,476	66,476	—
Transfers Out	(142,111)	(148,965)	(148,965)	—
Total Other Financing Sources (Uses)	(68,531)	(82,489)	(70,213)	12,276
Net Change in Fund Balance	66,670	(16,762)	(9,603)	7,159
Budgetary Fund Balance – Beginning	187,173	187,173	187,173	—
Budgetary Fund Balance – Ending	$ 253,843	$ 170,411	$ 177,570	$ 7,159

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, 2012 (Expressed in Thousands)

	General Fund	Education Fund	Transportation Fund
Revenues			
Actual total revenues (budgetary basis)	$ 6,258,720	$ 3,406,824	$ 1,148,110
Differences – Budget to GAAP:			
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(316,120)	(5,019)	(1,827)
Higher education and Utah Schools for the Deaf and the Blind collections are budgetary revenues but are not revenues for financial reporting	(634,435)	(5,683)	—
Change in revenue accrual for nonbudgetary Medicaid claims	3,720	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	7,348	53,834	(3,557)
Change in estimated federal receivables recorded as revenues for financial reporting but not for budgetary reporting	—	(19,294)	—
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 5,319,233	$ 3,430,662	$ 1,142,726
Expenditures			
Actual total expenditures (budgetary basis)	$ 6,463,535	$ 3,028,720	$ 1,087,500
Differences – Budget to GAAP:			
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(316,120)	(5,019)	(1,827)
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	(634,435)	(5,683)	—
Certain budgetary transfers and other charges are reported as an increase or reduction of expenditures for financial reporting	819	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	5,453	626	806
Change in estimated federal liabilities recorded as expenditures for financial reporting but not for budgetary reporting	—	(19,294)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	12,664	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 5,531,916	$ 2,999,350	$ 1,086,479

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 the General Fund and each of the State's major special revenue funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Transportation Investment Fund, a major capital projects fund, and 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, 2012, 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 (committed, assigned, or unassigned) 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 either restricted or committed 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 $115 thousand. This deficit is allowed by statute and will be funded with future appropriations. In the General Fund, the Attorney General's budget for contract attorneys was overexpended by $224 thousand. 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, 2012, the State was $781 million below the appropriations limitation.

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFIT PLANS

The State Employee Other Postemployment Benefit Plan (State Employee 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 postemployment health and life insurance coverage to current and eligible future state retirees. Only state employees entitled to receive retirement benefits and meeting other specific eligibility criteria are eligible to receive postemployment benefits.

The following factors contributed to the decrease in the State Employee OPEB Plan Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) from December 31, 2006 to December 31, 2008: ***(1)*** fully funding the Annual Required Contribution (ARC) over the last two fiscal years; ***(2)*** changes in benefit provisions that shifted increases in health care costs to employees and retirees; and ***(3)*** the State Employee Plan is a closed plan (i.e., only state employees entitled to receive retirement benefits and hired prior to January 1, 2006 are eligible to receive benefits).

The following factors contributed to changes in the elements presented below in the Schedule of Funding Progress for the State Employee OPEB Plan from December 31, 2008 to December 31, 2010: ***(1)*** fully funding the Annual Required Contribution (ARC) over the last two fiscal years; ***(2)*** changes in benefit provisions that shifted increases in health care costs to employees and retirees; ***(3)*** using a discount rate of 4.5 percent (instead of 6 percent used in prior valuations) in order to more conservatively fund the ARC due to current market volatility; ***(4)*** an actuarial change in trend assumption for Medicare retirees; ***(5)*** actuarial experience; and ***(6)*** a reduction in Annual Covered Payroll due to fewer employees eligible to receive post-retirement health benefits.

The following schedules present the State of Utah's funding progress and required employer contributions for the State Post-Retirement Benefits Trust Fund from the recent actuarial valuation and the two preceding valuations (using the projected unit credit method):

State Employee OPEB Plan
Schedule of Funding Progress
By Valuation Date
(Expressed in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2006	$ —	$ 669,617	$ 669,617	0.00 %	$ 748,096	89.51 %
December 31, 2008	$ 53,851	$ 446,601	$ 392,750	12.06 %	$ 901,245	43.58 %
December 31, 2010	$ 106,605	$ 481,393	$ 374,788	22.15 %	$ 589,817	63.54 %

State Employee OPEB Plan
Schedule of Employer Contributions
(Expressed in Thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2007	$ 50,433	101.37 %
June 30, 2008	$ 53,491	98.71 %
June 30, 2009	$ 53,491	100.00 %
June 30, 2010	$ 43,819	100.00 %
June 30, 2011	$ 43,819	100.00 %
June 30, 2012	$ 37,594	115.16 %

The Elected Official Other Postemployment Benefit Plan (Elected Official OPEB Plan) is administered through the Elected Official Post-Retirement Benefits Trust Fund. Only governors and legislators that retire after January 1, 1998 and meet other specific eligibility criteria are eligible for this benefit.

The following factors contributed to the decrease in the Elected Official OPEB Plan Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) from December 31, 2008 to December 31, 2010: **(1)** changes in claims, and changes in benefit provisions; **(2)** an actuarial change in trend assumption for Medicare retirees; and **(3)** actuarial experience.

The Elected Official Post-Retirement Benefits Trust Fund was established during the 2012 Legislative General Session and became effective March of 2012. During fiscal year 2012, the State contributed $3.47 million to the trust fund, more than the required ARC of $1.894 million, in order to reduce the Unfunded Actuarial Accrued Liability (UAAL) obligation. The creation of and contributions to the trust fund occurred after the latest actuarial valuation. As a result, the Actuarial Value of Assets, Unfunded Actuarial Accrued Liability (UAAL), and Funded Ratio from the December 31, 2010 actuarial valuation are not reflective of these changes. A new valuation will be performed in fiscal year 2013.

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

Elected Official OPEB Plan
Schedule of Funding Progress
By Valuation Date
(Expressed in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2008.....	$ —	$ 24,515	$ 24,515	0.00 %	$ 866	2,830.8 %
December 31, 2010.....	$ —	$ 21,990	$ 21,990	0.00 %	$ 771	2,852.1 %

Elected Official OPEB Plan
Schedule of Employer Contributions
(Expressed in Thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2012.....	$ 1,894	183.21 %

(Required Supplementary Information continues on next page.)

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 5,724 centerline miles of state roads. The assessment is based on Ride Quality, using the International Roughness Index (IRI) data. This data is also reported to the Federal Highways Administration (FHWA) and used for the National condition assessment reported to Congress. Ranges for Good, Fair and Poor condition were established to correlate with the national FHWA ranges. Additional condition measures for age, wheel path rutting and surface cracking are considered in project recommendations.

Category	IRI Range	Description
Good	< 95	Pavements that provide a smooth ride and typically exhibit few signs of visible distress suitable for surface seals and preservation.
Fair	95 to 170	Pavements with noticeable deterioration beginning to affect the ride in need of resurfacing.
Poor	> 170	Pavements with an unacceptable ride that have deteriorated to such an extent that they are in need of major rehabilitation.

Condition Level – Roads

The State has established a three System Level priority (Interstate, Level 1 and Level 2) with individual condition targets for each system. The condition target is to maintain a certain percentage of the mileage at a "fair" or better rating. The Interstate target is 95 percent, Level 1 (with over 2,000 Average Annual Daily Traffic) at 90 percent, and Level 2 (with less than 2,000 Average Daily Annual Traffic) at 80 percent.

The State performs complete assessments every other year (starting in 2012) on a calendar year basis. The following table reports the percentage of pavements with ratings of "fair" or better for the last three years for each system:

System	2011	2010	2009
Interstate System....	98.3 %	97.9 %	98.6 %
Level 1 System	93.2 %	92.1 %	92.6 %
Level 2 System	82.7 %	82.1 %	83.9 %

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
2012	$ 204,647	$ 371,133
2011	$ 249,071	$ 299,227
2010	$ 244,272	$ 349,451
2009	$ 296,443	$ 313,817
2008	$ 418,386	$ 292,585

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,881 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	2012	2011	2010
Good.....	71.6 %	72.0 %	72.4 %
Poor.....	1.0 %	1.0 %	1.0 %

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
2012	$ 36,114	$ 65,494
2011	$ 43,954	$ 52,805
2010	$ 43,107	$ 61,668
2009	$ 52,314	$ 55,379
2008	$ 73,833	$ 51,633

SUPPLEMENTARY INFORMATION

Economic development in Utah is focused within six targeted industry strengths, including: energy and natural resources; aerospace and defense; and outdoor products and recreation. These industries typically create higher-paying, quality jobs that meet the demands of Utah's skilled and innovative workforce—the youngest in the nation.

Vivint Solar

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Nonmajor Governmental Funds

State Endowment Fund
This fund accounts for a portion of proceeds relating to the State's settlement agreement with major tobacco manufacturers, severance tax revenue in excess of statutory base amounts, and money or other assets given to this fund under any provision of law. The principal of the fund cannot be appropriated except by a three-fourths vote of both houses of the Legislature and with the concurrence of the Governor. One-half of all interest and dividends earned on tobacco settlement proceeds in this fund is deposited in the General Fund.

Environmental Reclamation
This fund consists of various programs aimed at preserving open land, improving irrigation in the State, funding recycling programs, and funding cleanup and reclamation projects. Funds received are from state appropriations, fees and fines, recovered liens and costs, and voluntary contributions.

Crime Victim Reparation
This fund accounts for court-ordered restitution and a surcharge on criminal fines, penalties, and forfeitures. Monies deposited in this fund are for victim reparations, other victim services, and, as appropriated, costs of administering the fund.

Universal Telephone Services
This fund is designed to preserve and promote universal telephone service throughout the State by ensuring that all citizens have access to affordable basic telephone service. Revenues come from surcharges on customers' phone bills and from fines and penalties levied against telephone service providers by the Public Service Commission.

Consumer Education Fund
This fund accounts for revenues and expenditures associated with educating and training Utah residents in various consumer matters. Funding is provided through the assessment and collection of fines and penalties from various regulated professions.

Rural Development Fund
This fund promotes various programs in rural areas of the State including construction of communications systems and economic development grants to Native American tribes. Funding comes from oil and gas severance taxes and from royalties on mineral extractions on federal land within the State.

State Capitol Fund
This fund was created to account for the funding and operations of the State Capitol Preservation Board. Funds are used in part to pay for repairs and maintenance of Capitol Hill facilities and grounds. Funding is provided through fees and private donations.

Miscellaneous Special Revenue
This fund is made up of individual small funds set up to account for various revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects – General Government
This fund accounts for resources used for capital outlays including the acquisition or construction of major capital facilities for use by the State and its component units. The fund receives financial resources from the proceeds of general obligation bonds, legislative appropriations, and intergovernmental revenues.

Capital Projects – State Building Ownership Authority
(Blended Component Unit)
This fund accounts for resources used for capital outlays including the acquisition or construction of major capital facilities for use by various state agencies. The fund receives financial resources from the proceeds of lease revenue bonds issued by the Authority and the interest earned on the proceeds of the bonds.

Debt Service – General Government
This fund accounts for the payment of principal and interest on the State's general obligation bonds. The fund receives most of its financial resources from appropriations made by the Legislature.

Debt Service – State Building Ownership Authority
(Blended Component Unit)
This fund accounts for the payment of principal and interest on lease revenue bonds issued by the Authority. The fund receives financial resources from rent payments made by various state agencies occupying the facilities owned by the Authority.

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012 (Expressed in Thousands)

	Special Revenue			
	State Endowment	Environmental Reclamation	Crime Victim Reparation	Universal Telephone Services
ASSETS				
Cash and Cash Equivalents	$ 420	$ 1,045	$ 1,373	$ 1,402
Investments	123,119	23,886	3,368	—
Receivables:				
Accounts, net	—	8	29	—
Accrued Interest	—	—	—	—
Capital Lease Payments, net	—	—	—	—
Due From Other Funds	—	76	—	—
Due From Component Units	—	—	—	—
Total Assets	$ 123,539	$ 25,015	$ 4,770	$ 1,402
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ —	$ 4	$ 34	$ —
Due To Other Funds	—	—	—	137
Due To Component Units	—	—	—	—
Deferred Revenue	—	—	—	—
Total Liabilities	0	4	34	137
Fund Balances:				
Nonspendable:				
Restricted	—	21,607	—	1,265
Committed	123,539	3,404	4,736	—
Assigned	—	—	—	—
Total Fund Balances	123,539	25,011	4,736	1,265
Total Liabilities and Fund Balances	$ 123,539	$ 25,015	$ 4,770	$ 1,402

Special Revenue				Capital Projects	
Consumer Education	Rural Development	State Capitol	Miscellaneous Special Revenue	General Government	State Building Ownership Authority
$ 523	$ 4,756	$ 1,020	$ —	$ 93,865	$ —
4,029	31,923	1,271	9,341	40,670	13,605
97	—	15	17,366	281	—
—	—	—	—	—	11
—	—	—	—	—	—
—	—	18	8	2,847	—
—	—	—	—	45,230	—
$ 4,649	$ 36,679	$ 2,324	$ 26,715	$ 182,893	$ 13,616
$ 167	$ 3,671	$ 6	$ 1,577	$ 41,455	$ 116
54	828	23	686	1,748	2,660
—	—	—	—	—	329
—	—	26	5,546	—	—
221	4,499	55	7,809	43,203	3,105
—	—	1,108	12,888	39,252	9,856
4,428	32,180	1,161	5,804	—	—
—	—	—	214	100,438	655
4,428	32,180	2,269	18,906	139,690	10,511
$ 4,649	$ 36,679	$ 2,324	$ 26,715	$ 182,893	$ 13,616

Continues

Combining Balance Sheet
Nonmajor Governmental Funds

Continued

June 30, 2012 (Expressed in Thousands)

	Debt Service		Total
	General Government	State Building Ownership Authority	Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 85,556	$ 4,445	$ 194,405
Investments	8,361	7,345	266,918
Receivables:			
Accounts, net	—	—	17,796
Accrued Interest	6	4	21
Capital Lease Payments, net	—	102,540	102,540
Due From Other Funds	—	—	2,949
Due From Component Units	—	—	45,230
Total Assets	$ 93,923	$ 114,334	$ 629,859
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ 78,437	$ 21	$ 125,488
Due To Other Funds	11,652	9,458	27,246
Due To Component Units	—	—	329
Deferred Revenue	—	102,540	108,112
Total Liabilities	90,089	112,019	261,175
Fund Balances:			
Nonspendable:			
Restricted	—	511	86,487
Committed	—	—	175,252
Assigned	3,834	1,804	106,945
Total Fund Balances	3,834	2,315	368,684
Total Liabilities and Fund Balances	$ 93,923	$ 114,334	$ 629,859

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

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Special Revenue			
	State Endowment	Environmental Reclamation	Crime Victim Reparation	Universal Telephone Services
REVENUES				
Taxes:				
Sales and Use Tax	$ —	$ —	$ —	$ —
Other Taxes	—	—	—	—
Total Taxes	0	0	0	0
Other Revenues:				
Federal Contracts and Grants	—	—	2,226	—
Charges for Services	—	6,174	7,455	9,984
Intergovernmental	—	—	—	—
Investment Income	2,580	148	3	—
Miscellaneous and Other	—	78	—	—
Total Revenues	2,580	6,400	9,684	9,984
EXPENDITURES				
Current:				
General Government	—	—	6,727	—
Human Services and Juvenile Justice Services	—	—	—	—
Corrections	—	—	—	—
Public Safety	—	—	—	—
Health and Environmental Quality	—	2,842	—	—
Higher Education – Colleges and Universities	—	—	—	—
Employment and Family Services	—	—	—	—
Natural Resources	—	—	—	—
Community and Culture	—	—	—	—
Business, Labor, and Agriculture	—	10	—	9,650
Public Education	—	—	—	—
Transportation	—	—	—	—
Capital Outlay	—	—	—	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	0	2,852	6,727	9,650
Excess Revenues Over (Under) Expenditures	2,580	3,548	2,957	334
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	—	—	—	—
Revenue Bonds Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Transfers In	—	—	73	—
Transfers Out	—	(129)	(3,675)	—
Total Other Financing Sources (Uses)	0	(129)	(3,602)	0
Net Change in Fund Balances	2,580	3,419	(645)	334
Fund Balances – Beginning	120,959	21,592	5,381	931
Fund Balances – Ending	$ 123,539	$ 25,011	$ 4,736	$ 1,265

Special Revenue				Capital Projects	
Consumer Education	Rural Development	State Capitol	Miscellaneous Special Revenue	General Government	State Building Ownership Authority
$ —	$ —	$ —	$ 3,910	$ —	$ —
—	8,817	—	3,206	—	—
0	8,817	0	7,116	0	0
—	—	—	14,290	—	—
3,329	—	469	46,360	—	—
—	—	—	—	34,407	—
6	135	1	161	430	125
2	—	11	2,950	583	100
3,337	8,952	481	70,877	35,420	225
—	—	120	7,086	13,723	—
—	—	—	278	3,156	—
—	—	—	—	3,886	—
—	—	—	13,320	4,046	—
—	—	—	17	546	—
—	—	—	—	22,398	—
—	—	—	4	462	—
—	—	—	—	1,691	—
—	16,921	—	943	—	—
2,002	—	—	7	178	—
—	—	—	23	333	—
—	—	—	1	852	—
—	—	—	—	146,556	22,875
—	—	—	—	—	—
—	—	—	—	—	—
2,002	16,921	120	21,679	197,827	22,875
1,335	(7,969)	361	49,198	(162,407)	(22,650)
—	—	—	—	46,860	—
—	—	—	—	—	5,100
—	—	—	—	7,121	28
—	—	—	200	55,583	3,829
(234)	—	—	(41,918)	(8,277)	—
(234)	0	0	(41,718)	101,287	8,957
1,101	(7,969)	361	7,480	(61,120)	(13,693)
3,327	40,149	1,908	11,426	200,810	24,204
$ 4,428	$ 32,180	$ 2,269	$ 18,906	$ 139,690	$ 10,511

Continues

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

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Debt Service		Total
	General Government	State Building Ownership Authority	Nonmajor Governmental Funds
REVENUES			
Taxes:			
Sales and Use Tax	$ —	$ —	$ 3,910
Other Taxes	—	—	12,023
Total Taxes	0	0	15,933
Other Revenues:			
Federal Contracts and Grants	15,252	1,748	33,516
Charges for Services	—	—	73,771
Intergovernmental	—	—	34,407
Investment Income	6	26	3,621
Miscellaneous and Other	—	20,211	23,935
Total Revenues	15,258	21,985	185,183
EXPENDITURES			
Current:			
General Government	—	—	27,656
Human Services and Juvenile Justice Services	—	—	3,434
Corrections	—	—	3,886
Public Safety	—	—	17,366
Health and Environmental Quality	—	—	3,405
Higher Education – Colleges and Universities	—	—	22,398
Employment and Family Services	—	—	466
Natural Resources	—	—	1,691
Community and Culture	—	—	17,864
Business, Labor, and Agriculture	—	—	11,847
Public Education	—	—	356
Transportation	—	—	853
Capital Outlay	—	—	169,431
Debt Service:			
Principal Retirement	251,130	15,170	266,300
Interest and Other Charges	156,188	11,859	168,047
Total Expenditures	407,318	27,029	715,000
Excess Revenues Over (Under) Expenditures	(392,060)	(5,044)	(529,817)
OTHER FINANCING SOURCES (USES)			
General Obligation Bonds Issued	—	—	46,860
Revenue Bonds Issued	—	150	5,250
Premium on Bonds Issued	2,044	25	9,218
Transfers In	407,917	223	467,825
Transfers Out	(15,475)	(3,829)	(73,537)
Total Other Financing Sources (Uses)	394,486	(3,431)	455,616
Net Change in Fund Balances	2,426	(8,475)	(74,201)
Fund Balances – Beginning	1,408	10,790	442,885
Fund Balances – Ending	$ 3,834	$ 2,315	$ 368,684

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Detail Schedule of Expenditures
Budget and Actual Comparison
General Fund

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
GENERAL GOVERNMENT				
Legislature				
Senate	$ 2,710	$ —	$ 1	$ 2,711
House	4,934	—	—	4,934
Printing	618	—	167	785
Research and General Counsel	9,211	—	—	9,211
Tax Review Commission	48	—	—	48
Constitutional Revision Commission	52	—	—	52
Fiscal Analyst	3,044	—	5	3,049
Auditor General	3,829	—	—	3,829
Total Legislature	24,446	0	173	24,619
Elected Officials				
State Treasurer	$ 2,529	$ —	$ 441	$ 2,970
GOV – Administrative Office	5,622	268	941	6,831
GOV – Planning and Budget	5,481	67	65	5,613
GOV – Public Lands Litigation	2,000	—	—	2,000
GOV – Lt. Governor Character Education	200	—	—	200
GOV – Criminal and Juvenile Justice	10,011	12,103	59	22,173
GOV – Emergency and Contingency Fund	100	—	—	100
GOV – LaRay McAllister Program	1,852	—	—	1,852
GOV – Pete Suazo Athletic Commission	198	—	49	247
GOV – Economic Development Administration	9,459	539	—	9,998
GOV – Office of Tourism	17,953	—	226	18,179
GOV – Business Development	11,621	501	153	12,275
GOV – Inspector General of Medical Services	995	—	1,913	2,908
GOV – Industrial Assistance Fund	1,257	—	—	1,257
U STAR	36,195	—	3	36,198
GOV – Office of Energy Development	706	15,891	12	16,609
Attorney General	29,539	2,028	18,168	49,735
AG – Contract Attorneys	5,439	—	850	6,289
AG – Prosecution Council	688	100	203	991
AG – Domestic Violence	78	—	—	78
AG – Children's Justice Centers	3,383	164	317	3,864
State Auditor	3,678	—	1,727	5,405
Total Elected Officials	148,984	31,661	25,127	205,772
Government Operations				
Capitol Preservation Board	$ 4,059	$ —	$ —	$ 4,059
DAS – Executive Director	776	—	—	776
DAS – Administrative Rules	383	—	—	383
DAS – DFCM Administration	5,288	—	452	5,740
DAS – State Archives	2,119	99	146	2,364
DAS – Finance Administration	8,651	—	1,392	10,043
DAS – Post Conviction Indigent Defense	215	—	—	215
DAS – Finance Mandated	31,652	—	—	31,652
DAS – Judicial Conduct Commission	265	—	—	265
DAS – Purchasing	1,061	—	396	1,457
Tax Commission – Administration	70,963	505	8,584	80,052
TAX – License Plates Production	2,643	—	1,815	4,458
TAX – Liquor Profit Distribution	5,309	—	—	5,309

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
$ 1,750	$ —	$ —	$ 961
3,345	—	—	1,589
720	—	—	65
7,670	—	—	1,541
45	—	—	3
50	—	—	2
2,385	—	—	664
3,093	—	—	736
19,058	0	0	5,561
$ 2,476	$ 6	$ 138	$ 350
5,462	—	34	1,335
3,324	—	—	2,289
955	—	—	1,045
36	—	—	164
20,271	581	388	933
25	—	—	75
580	—	—	1,272
160	—	—	87
9,377	123	—	498
13,612	28	—	4,539
9,414	101	—	2,760
2,043	—	—	865
1,257	—	—	—
25,274	—	—	10,924
16,358	—	—	251
46,760	—	73	2,902
6,513	—	—	(224)
904	—	5	82
78	—	—	—
3,335	—	—	529
4,992	—	—	413
173,206	839	638	31,089
$ 4,059	$ —	$ —	$ —
661	18	—	97
379	—	—	4
5,112	—	—	628
2,362	—	—	2
8,706	42	—	1,295
108	—	—	107
24,687	—	6,965	—
240	—	—	25
1,457	—	—	—
69,713	—	2,119	8,220
2,275	—	—	2,183
5,309	—	—	—

Continues

Detail Schedule of Expenditures
Budget and Actual Comparison
General Fund

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
Government Operations (Continued)				
DAS – Rural Health Care	555	—	—	555
Human Resource Management	3,404	—	176	3,580
Career Service Review Board	272	—	—	272
DTS Chief Information Officer	535	—	—	535
DTS Integrated Technology	1,781	580	1,007	3,368
Total Government Operations	139,931	1,184	13,968	155,083
Total General Government	$ 313,361	$ 32,845	$ 39,268	$ 385,474
HUMAN SERVICES				
Department of Human Services	$ 7,107	$ 6,146	$ 1,123	$ 14,376
Substance Abuse and Mental Health	88,820	26,142	11,537	126,499
Services for People with Disabilities	57,691	1,079	144,045	202,815
Recovery Services	12,692	24,094	4,855	41,641
Child and Family Services	110,830	52,784	(3,004)	160,610
Juvenile Justice Services	87,554	3,040	2,302	92,896
Aging and Adult Services	12,430	11,238	(572)	23,096
Total Human Services	$ 377,124	$ 124,523	$ 160,286	$ 661,933
CORRECTIONS				
Department of Corrections				
Corrections – Programs and Operations	$ 203,722	$ 797	$ 4,956	$ 209,475
DOC Medical Services	28,382	—	514	28,896
Jail Contracting	26,196	—	—	26,196
Total Department of Corrections	258,300	797	5,470	264,567
Board of Pardons and Parole				
Board of Pardons and Parole	$ 4,057	$ —	$ 1	$ 4,058
Total Board of Pardons and Parole	4,057	0	1	4,058
Total Corrections	$ 262,357	$ 797	$ 5,471	$ 268,625
PUBLIC SAFETY				
Department of Public Safety				
Programs and Operations	$ 101,124	$ 1,371	$ 23,017	$ 125,512
Emergency Services and Homeland Security	2,374	33,701	433	36,508
Emergency and Disaster Management	3,078	—	—	3,078
Peace Officer's Standards and Training	4,090	—	48	4,138
Liquor Law Enforcement	1,033	—	—	1,033
Driver License	35,460	846	60	36,366
Highway Safety	754	5,375	67	6,196
Total Department of Public Safety	147,913	41,293	23,625	212,831
Utah National Guard				
Utah National Guard Administration	$ 5,545	$ 45,127	$ (1,826)	$ 48,846
Total Utah National Guard	5,545	45,127	(1,826)	48,846

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
219	—	336	—
2,649	383	—	548
254	3	—	15
513	—	—	22
3,244	—	—	124
131,947	446	9,420	13,270
$ 324,211	$ 1,285	$ 10,058	$ 49,920
$ 14,226	$ 150	$ —	$ —
126,242	—	48	209
202,120	—	—	695
41,639	2	—	—
153,214	—	142	7,254
91,497	—	—	1,399
23,039	57	—	—
$ 651,977	$ 209	$ 190	$ 9,557
$ 186,541	$ —	$ 740	$ 22,194
27,905	—	—	991
24,173	—	—	2,023
238,619	0	740	25,208
$ 3,619	$ —	$ —	$ 439
3,619	0	0	439
$ 242,238	$ 0	$ 740	$ 25,647
$ 95,864	$ —	$ 1,798	$ 27,850
34,726	—	1,416	366
76	—	—	3,002
3,643	—	96	399
1,033	—	—	—
28,087	—	—	8,279
6,095	—	—	101
169,524	0	3,310	39,997
$ 48,771	$ —	$ —	$ 75
48,771	0	0	75

Continues

Detail Schedule of Expenditures
Budget and Actual Comparison
General Fund

Continued

For the Fiscal Year Ended June 30, 2012

(Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
Department of Veteran's Affairs				
Veteran's Affairs	$ 1,062	$ 3,791	$ 461	$ 5,314
Total Department of Veteran's Affairs	1,062	3,791	461	5,314
Total Public Safety	$ 154,520	$ 90,211	$ 22,260	$ 266,991
STATE COURTS				
Judicial Council	$ 99,927	$ 705	$ 2,311	$ 102,943
Grand Jury	1	—	—	1
Contracts and Leases	19,058	—	257	19,315
Jury and Witness Fees	2,136	—	6	2,142
Guardian Ad Litem	6,205	—	181	6,386
Total State Courts	$ 127,327	$ 705	$ 2,755	$ 130,787
HEALTH and ENVIRONMENTAL QUALITY				
Department of Health	$ 4,988	$ 6,685	$ 3,086	$ 14,759
Disease Control and Prevention	19,663	27,314	10,440	57,417
Community and Family Health Services	16,587	80,049	23,974	120,610
Health Care Financing	5,042	53,194	38,508	96,744
Medical Manditory Services	314,514	749,082	7,660	1,071,256
Medicaid Optional Services	131,440	553,705	240,496	925,641
Medicaid MIS Replacement	5,488	2,046	—	7,534
Local Health Department	2,122	—	—	2,122
Children's Health Insurance Program	16,662	57,855	2,094	76,611
Workforce Assistance	212	—	—	212
Medicaid Sanctions	1,083	—	—	1,083
Commodities	—	21,573	—	21,573
Environmental Quality	22,350	17,962	9,583	49,895
Total Health and Environmental Quality	$ 540,151	$ 1,569,465	$ 335,841	$ 2,445,457
HIGHER EDUCATION				
Board of Regents	$ 2,631	$ 1,586	$ —	$ 4,217
REG - Student Support	1,561	—	—	1,561
REG – Economic Development	349	—	—	349
REG – Student Assistance	12,191	—	—	12,191
REG – Technology	7,183	—	—	7,183
REG – Education Excellence	5,540	—	—	5,540
REG – Cluster Acceleration Partnership	—	—	195	195
U of U – Education and General	193,598	—	207,108	400,706
U of U – Educationally Disadvantaged	674	—	—	674
U of U – School of Medicine	20,476	—	19,043	39,519
U of U – University Hospital	4,500	—	—	4,500
U of U – Regional Dental Education	522	—	286	808
U of U – Tele Health Network	451	—	—	451
U of U – Public Service	3,434	—	—	3,434
U of U – Statewide TV Administration	2,367	—	—	2,367

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
$ 5,285	$ —	$ —	$ 29
5,285	0	0	29
$ 223,580	$ 0	$ 3,310	$ 40,101
$ 99,641	$ —	$ 1,161	$ 2,141
1	—	—	—
19,063	—	—	252
2,257	—	—	(115)
6,257	—	—	129
$ 127,219	$ 0	$ 1,161	$ 2,407
$ 14,590	$ 7	$ 72	$ 90
56,330	—	162	925
119,100	—	50	1,460
96,051	—	—	693
1,055,908	—	81	15,267
913,495	—	—	12,146
2,273	—	—	5,261
2,122	—	—	—
73,511	—	234	2,866
164	—	—	48
—	—	—	1,083
21,573	—	—	—
46,745	—	2,571	579
$ 2,401,862	$ 7	$ 3,170	$ 40,418
$ 4,217	$ —	$ —	$ —
1,561	—	—	—
349	—	—	—
12,191	—	—	—
7,183	—	—	—
5,540	—	—	—
195	—	—	—
400,706	—	—	—
674	—	—	—
39,519	—	—	—
4,500	—	—	—
808	—	—	—
451	—	—	—
3,434	—	—	—
2,367	—	—	—

Continues

Detail Schedule of Expenditures
Budget and Actual Comparison
General Fund

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
HIGHER EDUCATION (Continued)				
U of U – Health Sciences	11,862	—	9,230	21,092
U of U – Occupational Health	150	—	—	150
U of U – Poison Control Center	—	—	2,539	2,539
USU – Education and General	106,014	—	75,510	181,524
USU – Educationally Disadvantaged	257	—	—	257
USU – Water Research Laboratory	5,285	—	—	5,285
USU – Agricultural Experiment Station	11,950	2,654	—	14,604
USU – Cooperative Extension Service	11,982	2,210	—	14,192
USU – Uintah Basin CEC	3,872	—	2,126	5,998
USU – Southeastern Utah CEC	677	—	1,133	1,810
USU – CEU Education and General	11,951	—	2,713	14,664
USU – CEU Educationally Disadvantaged	105	—	—	105
USU – CEU Career and Technical Education	1,325	—	58	1,383
USU – CEU Prehistoric Museum	254	—	—	254
USU – San Juan Center	2,142	—	1,288	3,430
USU – Brigham City CEC	1,967	—	21,866	23,833
USU – Tooele CEC	2,266	—	8,306	10,572
USU – Veterinary Education Program	1,700	—	—	1,700
Weber – Education and General	61,101	—	61,388	122,489
Weber – Educationally Disadvantaged	341	—	—	341
SUU – Education and General	29,220	—	33,026	62,246
SUU – Educationally Disadvantaged	89	—	—	89
SUU – Shakespeare Festival	521	—	—	521
SUU – Rural Development	96	—	—	96
Snow College – Education and General	17,521	—	8,267	25,788
Snow College – Educationally Disadvantaged	32	—	—	32
Snow College – Career Technology Education	1,255	—	—	1,255
Dixie – Education and General	20,111	—	23,589	43,700
Dixie – Educationally Disadvantaged	26	—	—	26
Dixie – Zion Park Amphitheatre	51	—	22	73
UVU – Education and General	58,547	—	95,562	154,109
UVU – Educationally Disadvantaged	157	—	—	157
SLCC – Education and General	56,100	—	55,382	111,482
SLCC – Educationally Disadvantaged	178	—	—	178
SLCC – Skill Center	5,793	—	1,128	6,921
Utah College of Applied Technology	4,766	—	—	4,766
UCAT Bridgerland	8,725	—	—	8,725
UCAT Davis	9,178	—	—	9,178
UCAT Ogden/Weber	10,321	—	—	10,321
UCAT Uintah Basin	4,825	—	—	4,825
UCAT Mountainlands	4,947	—	—	4,947
UCAT Southwest	2,193	—	—	2,193
UCAT Dixie	2,005	—	—	2,005
UCAT Tooele	937	—	—	937
Utah Education Network	17,080	—	—	17,080
Medical Education Council	1,243	—	474	1,717
Total Higher Education	$ 746,595	$ 6,450	$ 630,239	$ 1,383,284

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
21,092	—	—	—
150	—	—	—
2,539	—	—	—
181,524	—	—	—
257	—	—	—
5,147	—	138	—
14,604	—	—	—
14,192	—	—	—
5,998	—	—	—
1,810	—	—	—
14,664	—	—	—
105	—	—	—
1,383	—	—	—
254	—	—	—
3,430	—	—	—
23,833	—	—	—
10,572	—	—	—
1,700	—	—	—
122,489	—	—	—
341	—	—	—
62,246	—	—	—
89	—	—	—
521	—	—	—
96	—	—	—
25,788	—	—	—
32	—	—	—
1,255	—	—	—
43,700	—	—	—
26	—	—	—
73	—	—	—
154,109	—	—	—
157	—	—	—
111,482	—	—	—
178	—	—	—
6,921	—	—	—
4,766	—	—	—
8,725	—	—	—
9,178	—	—	—
10,321	—	—	—
4,825	—	—	—
4,947	—	—	—
2,193	—	—	—
2,005	—	—	—
937	—	—	—
17,080	—	—	—
1,044	—	—	673
$ 1,382,473	$ 0	$ 138	$ 673

Continues

Detail Schedule of Expenditures
Budget and Actual Comparison
General Fund

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
WORKFORCE SERVICES				
Food Stamps – EBT Issuances	$ —	$ 406,291	$ —	$ 406,291
DWS – General Assistance	5,129	—	—	5,129
DWS – Administration	2,838	5,973	1,261	10,072
DWS – Unemployment Insurance	2,058	23,223	473	25,754
DWS – Unemployment Compensation Trust	800	—	—	800
DWS – Operations and Policy	66,026	193,615	23,778	283,419
Total Workforce Services	$ 76,851	$ 629,102	$ 25,512	$ 731,465
NATURAL RESOURCES				
Department of Natural Resources	$ 3,329	$ —	$ —	$ 3,329
Rent, Utilities, and Fixtures	1,692	—	—	1,692
Forestry, Fire, and State Lands	10,042	6,017	8,956	25,015
Oil, Gas, and Mining	6,509	5,045	157	11,711
Wildlife Resources	38,729	11,481	320	50,530
Species Protection	650	—	2,450	3,100
Watershed Development	2,127	—	500	2,627
Contributed Research	—	—	916	916
Cooperative Environmental Studies	—	6,136	6,422	12,558
Parks and Recreation	26,875	1,754	585	29,214
Parks and Recreation – Capital Development	6,875	1,223	822	8,920
Utah Geological Survey	7,198	965	1,795	9,958
Water Resources	5,409	—	150	5,559
Wildlife Resources – Capital Development	1,205	1,128	—	2,333
Water Rights	7,492	94	1,511	9,097
Public Lands Policy Office	2,095	—	—	2,095
Total Natural Resources	$ 120,227	$ 33,843	$ 24,584	$ 178,654
COMMUNITY AND CULTURE				
Community and Culture	$ 3,469	$ —	$ 6	$ 3,475
Indian Affairs	251	—	35	286
State History	2,040	757	62	2,859
Historical Society	112	—	39	151
Fine Arts	8,091	589	253	8,933
Museum Services	1,821	—	—	1,821
State Library	4,468	1,956	2,077	8,501
Community Development	5,332	48,253	2,016	55,601
Community Development Capital	58,863	—	—	58,863
Zoos	908	—	—	908
Housing Loans	10	—	—	10
Total Community and Culture	$ 85,365	$ 51,555	$ 4,488	$ 141,408

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
$ 406,291	$ —	$ —	$ —
4,502	27	—	600
9,871	—	—	201
25,699	—	—	55
—	—	800	—
276,595	268	—	6,556
$ 722,958	$ 295	$ 800	$ 7,412
$ 3,152	$ —	$ —	$ 177
1,692	—	—	—
22,104	—	—	2,911
10,268	—	66	1,377
47,323	—	3,207	—
2,994	—	106	—
1,948	—	—	679
916	—	—	—
12,558	—	—	—
26,590	—	2,265	359
3,779	—	—	5,141
8,503	—	425	1,030
5,395	—	85	79
1,861	—	—	472
8,527	78	—	492
1,588	—	185	322
$ 159,198	$ 78	$ 6,339	$ 13,039
$ 2,625	$ 196	$ —	$ 654
239	—	—	47
2,859	—	—	—
91	—	—	60
7,038	—	—	1,895
1,821	—	—	—
8,209	—	—	292
55,261	53	206	81
58,863	—	—	—
908	—	—	—
10	—	—	—
$ 137,924	$ 249	$ 206	$ 3,029

Continues

Detail Schedule of Expenditures
Budget and Actual Comparison
General Fund

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
BUSINESS, LABOR, and AGRICULTURE				
Department of Agriculture and Food	$ 11,189	$ 5,899	$ 5,128	$ 22,216
AGR – Building Operations	305	—	—	305
AGR – Utah State Fair	675	—	—	675
AGR – Predatory Animal Control	1,308	—	625	1,933
AGR – Rangeland Improvement	2,514	—	—	2,514
AGR – Resource Conservation	1,667	—	—	1,667
AGR – Taylor Grazing	—	133	—	133
Labor Commission	9,619	3,006	20	12,645
Department of Commerce	24,000	417	588	25,005
COM Building Inspector Training	770	—	248	1,018
COM/Public Utilities – Professional Services	1,946	—	—	1,946
COM/Consumer Services – Professional Services	1,896	—	—	1,896
Financial Institutions	5,995	—	—	5,995
Insurance Department	9,924	923	—	10,847
Comprehensive Health Insurance Pool	8,075	—	—	8,075
Bail Bond Program	23	—	—	23
Title Insurance Program	84	—	—	84
Risk Adjuster	147	—	—	147
Public Service Commission	2,027	819	82	2,928
PSC – Speech and Hearing Impaired	1,062	—	1,971	3,033
Total Business, Labor, and Agriculture	$ 83,226	$ 11,197	$ 8,662	$ 103,085
TOTAL GENERAL FUND				
Total Expenditures	$ 2,887,104	$ 2,550,693	$ 1,259,366	$ 6,697,163

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
$ 20,568	$ —	$ 227	$ 1,421
305	—	—	—
675	—	—	—
1,568	55	110	200
1,654	—	—	860
1,587	—	36	44
133	—	—	—
12,153	4	488	—
22,893	13	707	1,392
239	—	—	779
381	—	—	1,565
420	—	—	1,476
5,715	—	280	—
9,561	—	393	893
8,075	—	—	—
23	—	—	—
77	—	—	7
6	—	3	138
2,786	—	—	142
1,076	—	—	1,957
$ 89,895	$ 72	$ 2,244	$ 10,874
$ 6,463,535	$ 2,195	$ 28,356	$ 203,077

Detail Schedule of Expenditures—Budget and Actual Comparison
Education Fund, Transportation Fund, Transportation Investment Fund, and Debt Service Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Appropriation Line Item Name	Source of Funding: State Funds	Source of Funding: Federal Funds	Source of Funding: Restricted and Other Funds	Final Budget
EDUCATION FUND				
Office of Education				
State Office of Education	$ 36,718	$ 307,235	$ 6,550	$ 350,503
State Office of Rehabilitation	17,628	58,135	882	76,645
Child Nutrition	149	141,197	32,039	173,385
Fine Arts Outreach	3,000	—	—	3,000
Educational Contracts	3,255	—	—	3,255
Charter School Board	574	2,551	4	3,129
Science Outreach	2,000	—	—	2,000
Educator Licensing	2,169	—	—	2,169
Initiative Programs	15,492	—	—	15,492
Basic School Program	1,858,762	18,376	—	1,877,138
Related to Basic Programs	466,158	—	—	466,158
Voted and Board Leeway Programs	97,797	—	—	97,797
School Building Programs	14,400	—	16	14,416
Teacher Salary Supplement	5,000	—	—	5,000
Commodities	—	17,252	—	17,252
Indirect Cost Pool	1,539	—	4,107	5,646
Total Office of Education	2,524,641	544,746	43,598	3,112,985
Schools for the Deaf and the Blind				
Schools for the Deaf and the Blind	$ 22,747	$ 87	$ 5,100	$ 27,934
Institutional Council	—	—	500	500
Total Schools for the Deaf and the Blind	22,747	87	5,600	28,434
Total Education Fund	$ 2,547,388	$ 544,833	$ 49,198	$ 3,141,419
TRANSPORTATION FUND				
Support Services	$ 27,064	$ 2,323	$ —	$ 29,387
Engineering Services	16,127	13,647	1,317	31,091
Maintenance Management	133,018	8,565	2,210	143,793
Construction Management	73,154	426,599	79,066	578,819
Region Management	22,215	3,090	1,671	26,976
Equipment Management	53	—	30,050	30,103
Aeronautics	7,248	119	24,640	32,007
Share the Road	18	—	—	18
B and C Roads	124,578	—	—	124,578
Safe Sidewalk Construction	1,020	—	—	1,020
Mineral Lease	61,388	—	—	61,388
Corridor Preservation	24,050	—	—	24,050
Tollway	808	—	—	808
Counties of the 1st and 2nd Class	9,222	—	—	9,222
Highway Projects Within Counties	1,301	—	—	1,301
Nonappropriated	—	—	7,235	7,235
Total Transportation Fund	$ 501,264	$ 454,343	$ 146,189	$ 1,101,796
TRANSPORTATION INVESTMENT FUND				
Centennial Highway Program	$ 740,409	$ —	$ 162	$ 740,571
Critical Highway Needs	186,532	—	1,111	187,643
Total Transportation Investment Fund	$ 926,941	$ 0	$ 1,273	$ 928,214
DEBT SERVICE FUNDS				
General Government	$ 405,675	$ 15,252	$ 5,478	$ 426,405
State Building Ownership Authority	11,013	1,748	16,582	29,343
Total Debt Service Funds	$ 416,688	$ 17,000	$ 22,060	$ 455,748

Actual Expenditures	Lapse to Unrestricted	Lapse to Restricted and Other	Nonlapse or (Deficit) Carry Forward
$ 339,342	$ —	$ 153	$ 11,008
76,645	—	—	—
173,385	—	—	—
3,000	—	—	—
3,088	—	—	167
2,917	—	—	212
2,000	—	—	—
1,673	—	496	—
11,415	—	375	3,702
1,833,183	—	—	43,955
453,331	—	—	12,827
60,279	—	—	37,518
14,400	16	—	—
4,269	—	—	731
17,252	—	—	—
4,107	—	1,539	—
3,000,286	16	2,563	110,120
$ 27,934	$ —	$ —	$ —
500	—	—	—
28,434	0	0	0
$ 3,028,720	$ 16	$ 2,563	$ 110,120
$ 28,483	$ 704	$ —	$ 200
30,585	206	—	300
143,568	—	—	225
576,999	1,820	—	—
26,086	690	—	200
30,103	—	—	—
28,450	—	3,557	—
18	—	—	—
124,578	—	—	—
573	—	—	447
61,388	—	—	—
24,050	—	—	—
808	—	—	—
9,222	—	—	—
1,301	—	—	—
1,288	5,947	—	—
$ 1,087,500	$ 9,367	$ 3,557	$ 1,372
$ 616,132	$ 124,439	$ —	$ —
187,643	—	—	—
$ 803,775	$ 124,439	$ 0	$ 0
$ 407,319	$ 15,252	$ —	$ 3,834
27,028	—	—	2,315
$ 434,347	$ 15,252	$ 0	$ 6,149

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Nonmajor Enterprise Funds

Housing Loan Programs
These programs provide loans or grants to low income or special needs individuals for construction, rehabilitation, or purchase of single or multi-family housing. Funds are provided from federal funds, loan repayments, appropriations, and interest earnings.

Agriculture Loan Fund
This fund is comprised of two separate revolving loan programs: the Agriculture Resource Development Loan Fund and the Rural Rehabilitation Fund. Both programs issue farm loans for soil and water conservation projects and the rehabilitation of rural areas within the State.

Energy Efficiency Fund
This fund provides revolving loans to assist in the conversion of government and private fleet vehicles to clean fuel and for energy efficiency projects in local school districts and state facilities. Funds are provided from public and private contributions, appropriations, and interest earnings on loans and invested funds.

Petroleum Storage Tank Loan Fund
This fund was created to provide revolving loan capital to support small businesses, increase the availability of gasoline in rural areas, and reduce the threat of a petroleum release. Funds are provided from appropriations and interest earnings on loans and invested funds.

Transportation Infrastructure Loan Fund
This fund was created as a revolving loan fund to provide infrastructure assistance to local governments to expedite construction projects. The fund was capitalized with federal grants and state matching appropriations.

Alcoholic Beverage Control
The Alcoholic Beverage Control Commission was established to conduct, license, and regulate the sale of alcoholic beverages. Funding is provided through the sale of products. The net profit from the fund is transferred to the State's General Fund and is used for general government purposes.

Utah Correctional Industries (UCI)
UCI was established to provide work training opportunities for inmates of the Utah State Prison. UCI manufactures and sells such items as license plates, furniture, highway signs, dairy and meat products, and provides printing and other miscellaneous products and services. Funding comes from charges for products and services.

State Trust Lands Administration
This agency manages the assets of the Trust Lands permanent fund. Its objective is to maximize the growth of principal and income production for the beneficiaries.

Utah Dairy Commission
The purpose of the Commission is to promote the use of dairy products. Its operations are comprised of promotion, advertising, research, and nutritional education regarding dairy products. Funding consists primarily of fees from milk producers.

Federal Health Insurance Pool
The Federal Health Insurance Pool is a temporary high risk health insurance program enacted by Section 1101(b) of the Patient Protection and Affordable Care Act, Public Law 111-148, (the Affordable Care Act) known as the "Pre-Existing Condition Insurance Plan" or PCIP. The PCIP program provides health insurance coverage to uninsured individuals with pre-existing conditions who have been without insurance for at least six months. Ongoing operating costs are recovered through federal contract and premium charges.

Combining Statement Of Net Assets
Nonmajor Enterprise Funds

June 30, 2012 (Expressed in Thousands)

	Housing Loan Programs	Agriculture Loan Fund	Energy Efficiency Fund	Petroleum Storage Tank Loan Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 11,723	$ 8,100	$ 3,369	$ 5,153
Receivables:				
Accounts, net	56	—	—	—
Accrued Interest	955	659	1	1
Notes/Loans/Mortgages, net	2,916	4,269	496	69
Due From Other Funds	—	—	—	—
Prepaid Items	—	—	—	—
Inventories	—	—	—	—
Total Current Assets	15,650	13,028	3,866	5,223
Noncurrent Assets:				
Investments	766	—	—	—
Accrued Interest Receivable	953	—	—	—
Notes/Loans/Mortgages Receivables, net	93,170	38,785	1,507	561
Capital Assets:				
Land	—	—	—	—
Infrastructure	—	—	—	—
Buildings and Improvements	—	—	—	—
Machinery and Equipment	—	20	—	—
Intangible Assets–Software	—	—	—	—
Less Accumulated Depreciation	—	(20)	—	—
Total Capital Assets	0	0	0	0
Total Noncurrent Assets	94,889	38,785	1,507	561
Total Assets	110,539	51,813	5,373	5,784
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	113	24	155	—
Deposits	97	—	—	—
Due To Other Funds	—	1	—	—
Due To Component Units	—	—	—	—
Unearned Revenue	—	—	—	—
Policy Claims Liabilities	—	—	—	—
Revenue Bonds Payable	—	—	—	—
Total Current Liabilities	210	25	155	0
Noncurrent Liabilities:				
Revenue Bonds Payable	—	—	—	—
Total Noncurrent Liabilities	0	0	0	0
Total Liabilities	210	25	155	0
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	—	—	—	—
Restricted for:				
Loan Programs	68,380	4,414	—	—
Unrestricted	41,949	47,374	5,218	5,784
Total Net Assets	$ 110,329	$ 51,788	$ 5,218	$ 5,784

Transportation Infrastructure Loan Fund	Alcoholic Beverage Control	Utah Correctional Industries	State Trust Lands Administration	Utah Dairy Commission	Federal Health Insurance Pool	Total Nonmajor Enterprise Funds
$ 2,139	$ 137	$ 1,917	$ 8,250	$ 782	$ —	$ 41,570
—	2,985	862	8,648	247	2,980	15,778
16	—	—	—	—	—	1,632
1,074	—	—	—	—	—	8,824
—	12,041	598	35	—	—	12,674
—	—	—	—	2	10	12
—	29,719	1,010	—	21	—	30,750
3,229	44,882	4,387	16,933	1,052	2,990	111,240
—	—	—	—	224	—	990
—	—	—	—	—	—	953
781	—	—	—	—	—	134,804
—	22,460	—	263	32	—	22,755
—	—	304	—	—	—	304
—	74,390	3,943	233	143	—	78,709
—	9,117	3,179	1,105	60	—	13,481
—	328	69	—	—	—	397
—	(23,222)	(3,311)	(1,123)	(145)	—	(27,821)
0	83,073	4,184	478	90	0	87,825
781	83,073	4,184	478	314	0	224,572
4,010	127,955	8,571	17,411	1,366	2,990	335,812
—	9,516	1,744	686	91	99	12,428
—	—	—	—	—	—	97
—	14,968	70	5,047	—	—	20,086
—	—	—	7	—	—	7
—	967	—	3,719	—	43	4,729
—	—	—	—	—	2,848	2,848
—	4,686	143	—	—	—	4,829
0	30,137	1,957	9,459	91	2,990	45,024
—	83,479	1,827	—	—	—	85,306
0	83,479	1,827	0	0	0	85,306
0	113,616	3,784	9,459	91	2,990	130,330
—	6,767	2,229	478	90	—	9,564
4,010	—	—	—	—	—	76,804
—	7,572	2,558	7,474	1,185	—	119,114
$ 4,010	$ 14,339	$ 4,787	$ 7,952	$ 1,275	$ 0	$ 205,482

Combining Statement Of Revenues, Expenses, And Changes In Fund Net Assets
Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Housing Loan Programs	Agriculture Loan Fund	Energy Efficiency Fund	Petroleum Storage Tank Loan Fund
OPERATING REVENUES				
Sales and Charges for Services/Premiums	$ —	$ —	$ —	$ —
Fees and Assessments	—	—	—	—
Interest on Notes/Mortgages	1,781	1,384	1	12
Miscellaneous	29	2	—	—
Total Operating Revenues	1,810	1,386	1	12
OPERATING EXPENSES				
Administration	428	349	—	—
Purchases, Materials, and Services for Resale	—	—	—	—
Grants	1,105	—	207	—
Rentals and Leases	—	4	—	—
Maintenance	38	—	—	—
Depreciation/Amortization	—	—	—	—
Benefit Claims	—	—	—	—
Miscellaneous Other:				
Data Processing	—	—	—	—
Supplies	—	—	—	—
Utilities	16	—	—	—
Advertising and Other	268	22	—	2
Total Operating Expenses	1,855	375	207	2
Operating Income (Loss)	(45)	1,011	(206)	10
NONOPERATING REVENUES (EXPENSES)				
Investment Income	18	10	1	4
Federal Contracts and Grants	6,285	—	—	—
Disposal of Capital Assets	—	—	—	—
Tax Revenues	—	525	—	—
Interest Expense	—	—	—	—
Total Nonoperating Revenues (Expenses)	6,303	535	1	4
Income (Loss) before Transfers	6,258	1,546	(205)	14
Transfers In	2,243	—	—	—
Transfers Out	—	(648)	(52)	(137)
Change in Net Assets	8,501	898	(257)	(123)
Net Assets – Beginning	101,828	50,890	5,475	5,907
Net Assets – Ending	$ 110,329	$ 51,788	$ 5,218	$ 5,784

Transportation Infrastructure Loan Fund	Alcoholic Beverage Control	Utah Correctional Industries	State Trust Lands Administration	Utah Dairy Commission	Federal Health Insurance Pool	Total Nonmajor Enterprise Funds
$ —	$ 269,638	$ 22,192	$ 6,933	$ 34	$ 1,748	$ 300,545
—	2,302	—	27	2,543	—	4,872
67	—	—	—	—	—	3,245
—	423	—	—	78	—	532
67	272,363	22,192	6,960	2,655	1,748	309,194
—	17,269	5,161	6,460	644	357	30,668
—	169,735	12,741	—	81	—	182,557
—	—	—	—	—	—	1,312
—	902	465	772	—	—	2,143
—	2,931	1,146	133	—	—	4,248
—	3,127	312	26	12	—	3,477
—	—	—	—	—	13,697	13,697
—	1,658	184	659	—	—	2,501
—	308	521	142	—	—	971
—	283	91	107	—	—	497
—	1,832	372	1,481	1,672	—	5,649
0	198,045	20,993	9,780	2,409	14,054	247,720
67	74,318	1,199	(2,820)	246	(12,306)	61,474
(1)	33	—	(34)	11	—	42
—	325	—	—	—	12,306	18,916
—	43	(5)	—	—	—	38
—	—	—	—	—	—	525
—	(3,931)	(105)	—	—	—	(4,036)
(1)	(3,530)	(110)	(34)	11	12,306	15,485
66	70,788	1,089	(2,854)	257	0	76,959
—	—	—	—	—	—	2,243
—	(70,788)	—	(2,441)	—	—	(74,066)
66	0	1,089	(5,295)	257	0	5,136
3,944	14,339	3,698	13,247	1,018	—	200,346
$ 4,010	$ 14,339	$ 4,787	$ 7,952	$ 1,275	$ 0	$ 205,482

Combining Statement Of Cash Flows
Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Housing Loan Programs	Agriculture Loan Fund	Energy Efficiency Fund	Petroleum Storage Tank Loan Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers/Loan Interest/Fees/Premiums	$ 1,707	$ 1,356	$ 1	$ 12
Receipts from Loan Maturities	5,132	5,414	99	69
Receipts from State Customers	—	—	—	—
Payments to Suppliers/Claims/Grants	(1,434)	(11)	(372)	—
Disbursements for Loans Receivable	(10,165)	(4,235)	(909)	(425)
Payments for Employee Services and Benefits	(428)	(348)	—	—
Payments to State Suppliers	(120)	(14)	—	(2)
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	—
Net Cash Provided (Used) by Operating Activities	(5,308)	2,162	(1,181)	(346)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Repayments Under Interfund Loans	—	—	—	—
Federal Contracts and Grants and Other Revenues	6,238	—	—	—
Restricted Sales Tax	—	525	—	—
Transfers In from Other Funds	2,243	—	—	—
Transfers Out to Other Funds	—	(648)	(52)	(137)
Net Cash Provided (Used) by Noncapital Financing Activities	8,481	(123)	(52)	(137)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Bond and Note Debt Issuance/Grants	—	—	—	—
Principal Paid on Debt and Contract Maturities	—	—	—	—
Acquisition and Construction of Capital Assets	—	—	—	—
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	—	—	—	—
Receipts of Interest and Dividends from Investments	18	10	1	4
Net Cash Provided (Used) by Investing Activities	18	10	1	4
Net Cash Provided (Used) – All Activities	3,191	2,049	(1,232)	(479)
Cash and Cash Equivalents – Beginning	8,532	6,051	4,601	5,632
Cash and Cash Equivalents – Ending	$ 11,723	$ 8,100	$ 3,369	$ 5,153

Transportation Infrastructure Loan Fund	Alcoholic Beverage Control	Utah Correctional Industries	State Trust Lands Administration	Utah Dairy Commission	Federal Health Insurance Pool	Total Nonmajor Enterprise Funds
$ 72	$ 326,100	$ 11,091	$ 10,917	$ 2,631	$ 1,758	$ 355,645
1,337	—	—	—	—	—	12,051
—	—	10,545	—	—	—	10,545
—	(176,874)	(13,244)	(2,794)	(1,752)	(12,033)	(208,514)
(900)	—	—	—	—	—	(16,634)
—	(15,487)	(5,176)	(6,298)	(644)	—	(28,381)
—	(3,333)	(1,851)	(4,725)	—	—	(10,045)
—	(52,348)	—	—	—	—	(52,348)
509	78,058	1,365	(2,900)	235	(10,275)	62,319
—	14,642	—	—	—	—	14,642
—	(15,608)	—	—	—	—	(15,608)
—	—	—	—	—	10,257	16,495
—	—	—	—	—	—	525
—	—	—	—	—	—	2,243
—	(70,788)	—	(2,441)	—	—	(74,066)
0	(71,754)	0	(2,441)	0	10,257	(55,769)
—	368	—	—	—	—	368
—	(4,151)	(133)	—	—	—	(4,284)
—	(178)	(147)	—	—	—	(325)
—	(2,376)	(96)	—	—	—	(2,472)
0	(6,337)	(376)	0	0	0	(6,713)
—	—	—	—	16	—	16
(1)	33	—	(34)	11	—	42
(1)	33	0	(34)	27	0	58
508	—	989	(5,375)	262	(18)	(105)
1,631	137	928	13,625	520	18	41,675
$ 2,139	$ 137	$ 1,917	$ 8,250	$ 782	$ 0	$ 41,570

Continues

Combining Statement Of Cash Flows
Nonmajor Enterprise Funds

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Housing Loan Programs	Agriculture Loan Fund	Energy Efficiency Fund	Petroleum Storage Tank Loan Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (45)	$ 1,011	$ (206)	$ 10
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	—	—	—	—
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	—	1	—	—
Notes/Accrued Interest Receivables	(4,932)	1,149	(810)	(356)
Inventories	—	—	—	—
Prepaid Items	—	—	—	—
Accrued Liabilities/Due to Other Funds	(331)	1	(165)	—
Unearned Revenue/Deposits	—	—	—	—
Policy Claims Liabilities	—	—	—	—
Net Cash Provided (Used) by Operating Activities	$ (5,308)	$ 2,162	$ (1,181)	$ (346)
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ (38)	$ (26)	$ (27)	$ (33)
Total Noncash Investing, Capital, and Financing Activities	$ (38)	$ (26)	$ (27)	$ (33)

Transportation Infrastructure Loan Fund	Alcoholic Beverage Control	Utah Correctional Industries	State Trust Lands Administration	Utah Dairy Commission	Federal Health Insurance Pool	Total Nonmajor Enterprise Funds
$ 67	$ 74,318	$ 1,199	$ (2,820)	$ 246	$ (12,306)	$ 61,474
—	3,127	312	26	12	—	3,477
—	1,651	(556)	3,822	(23)	(27)	4,868
442	—	—	—	—	—	(4,507)
—	670	143	—	—	—	813
—	—	—	—	—	(10)	(10)
—	(1,446)	267	(4,063)	—	84	(5,653)
—	(262)	—	135	—	34	(93)
—	—	—	—	—	1,950	1,950
$ 509	$ 78,058	$ 1,365	$ (2,900)	$ 235	$ (10,275)	$ 62,319
$ (9)	$ —	$ —	$ —	$ —	$ —	$ (133)
$ (9)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (133)

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Internal Service Funds

Technology Services

This fund is responsible for providing data processing and various other computer services along with voice and data communication services to state agencies.

General Services

This fund manages cooperative purchasing contracts and provides purchasing card, printing and mailing services, and surplus property services to state agencies. This fund also provides central warehouse services for the Department of Natural Resources.

Fleet Operations

This fund provides motor pool, fuel network, and travel services to state agencies.

Risk Management

This fund provides insurance coverage and loss prevention services to state agencies, institutions of higher education, and participating local school districts. Coverage is provided using a combination of self-insurance and private excess insurance.

Property Management

This fund is responsible for the operation and maintenance of facilities used by state agencies. This fund is also used to account for the State's facility energy efficiency program.

Human Resource Management

This fund provides human resource and payroll services to state agencies.

Combining Statement Of Net Assets
Internal Service Funds

June 30, 2012 (Expressed in Thousands)

	Technology Services	General Services	Fleet Operations	Risk Management
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ —	$ 2,659	$ 78	$ 55,288
Receivables:				
Accounts, net	319	1,888	2,720	—
Due From Other Funds	20,297	2,213	3,126	577
Due From Component Units	—	13	19	5
Prepaid Items	4,127	177	—	—
Inventories	370	1,338	4,192	—
Deferred Charges	—	—	—	—
Total Current Assets	25,113	8,288	10,135	55,870
Noncurrent Assets:				
Prepaid Items	—	8	—	250
Notes/Loans/Mortgages Receivables, net	—	—	—	2,123
Deferred Charges	—	—	—	—
Capital Assets:				
Land	17	—	—	—
Infrastructure	303	—	—	—
Buildings and Improvements	4,611	1,379	193	—
Machinery and Equipment	65,587	11,885	118,307	—
Intangible Assets–Software	7,036	120	200	351
Construction in Progress	197	—	—	—
Less Accumulated Depreciation	(62,795)	(9,504)	(53,473)	(70)
Total Capital Assets	14,956	3,880	65,227	281
Total Noncurrent Assets	14,956	3,888	65,227	2,654
Total Assets	40,069	12,176	75,362	58,524
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	16,402	2,046	4,546	248
Due To Other Funds	335	37	22	491
Interfund Loans Payable	7,761	1,832	24,868	—
Unearned Revenue	—	17	—	—
Policy Claims Liabilities	—	—	—	17,013
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	—	80	—	—
Total Current Liabilities	24,498	4,012	29,436	17,752
Noncurrent Liabilities:				
Unearned Revenue	—	—	—	165
Interfund Loans Payable	2,410	2,383	8,744	—
Policy Claims Liabilities	—	—	—	27,687
Contracts/Notes Payable	—	—	—	—
Revenue Bonds Payable	—	508	—	—
Total Noncurrent Liabilities	2,410	2,891	8,744	27,852
Total Liabilities	26,908	6,903	38,180	45,604
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	14,956	3,357	65,227	281
Restricted for:				
Insurance Programs	—	—	—	6,526
Unrestricted (Deficit)	(1,795)	1,916	(28,045)	6,113
Total Net Assets	$ 13,161	$ 5,273	$ 37,182	$ 12,920

Property Management	Human Resource Management	Total
$ 5,759	$ 2,662	$ 66,446
19	—	4,946
278	94	26,585
1,053	—	1,090
—	168	4,472
—	—	5,900
23	—	23
7,132	2,924	109,462
—	—	258
—	—	2,123
423	—	423
—	—	17
—	—	303
—	—	6,183
663	54	196,496
—	42	7,749
—	—	197
(621)	(51)	(126,514)
42	45	84,431
465	45	87,235
7,597	2,969	196,697
2,341	546	26,129
29	35	949
—	—	34,461
—	—	17
—	—	17,013
23	—	23
—	—	80
2,393	581	78,672
—	—	165
—	—	13,537
—	—	27,687
423	—	423
—	—	508
423	0	42,320
2,816	581	120,992
42	45	83,908
—	—	6,526
4,739	2,343	(14,729)
$ 4,781	$ 2,388	$ 75,705

Combining Statement Of Revenues, Expenses, And Changes In Fund Net Assets
Internal Service Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Technology Services	General Services	Fleet Operations	Risk Management
OPERATING REVENUES				
Charges for Services/Premiums	$ 148,408	$ 20,324	$ 64,556	$ 37,122
Miscellaneous	—	83	94	—
Total Operating Revenues	148,408	20,407	64,650	37,122
OPERATING EXPENSES				
Administration	73,811	3,910	2,054	2,679
Materials and Services for Resale	15,413	11,346	39,233	18,973
Rentals and Leases	341	249	328	25
Maintenance	766	520	15,494	1
Depreciation/Amortization	6,440	1,649	9,399	70
Benefit Claims	—	—	—	12,654
Miscellaneous Other:				
Data Processing	51,174	115	595	175
Supplies	444	71	152	124
Utilities	454	30	332	22
Advertising and Other	2,162	515	1,396	1,714
Total Operating Expenses	151,005	18,405	68,983	36,437
Operating Income (Loss)	(2,597)	2,002	(4,333)	685
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	—	—	—	341
Federal Grants	—	—	18	—
Disposal of Capital Assets	(3)	16	583	—
Interest Expense	—	(30)	—	—
Refunds Paid to Federal Government	—	(11)	(263)	—
Other Revenues (Expenses)	—	(211)	669	(812)
Total Nonoperating Revenues (Expenses)	(3)	(236)	1,007	(471)
Income (Loss) before Transfers	(2,600)	1,766	(3,326)	214
Transfers In	—	—	95	—
Transfers Out	—	—	(2,000)	—
Change in Net Assets	(2,600)	1,766	(5,231)	214
Net Assets – Beginning	15,761	3,507	42,413	12,706
Net Assets – Ending	$ 13,161	$ 5,273	$ 37,182	$ 12,920

Property Management	Human Resource Management	Total
$ 26,455	$ 10,481	$ 307,346
—	—	177
26,455	10,481	307,523
7,944	9,000	99,398
—	—	84,965
433	11	1,387
8,799	4	25,584
23	9	17,590
—	—	12,654
385	920	53,364
134	110	1,035
8,860	119	9,817
946	1,059	7,792
27,524	11,232	313,586
(1,069)	(751)	(6,063)
—	—	341
—	—	18
—	2	598
(22)	—	(52)
—	—	(274)
—	—	(354)
(22)	2	277
(1,091)	(749)	(5,786)
—	—	95
—	—	(2,000)
(1,091)	(749)	(7,691)
5,872	3,137	83,396
$ 4,781	$ 2,388	$ 75,705

State of Utah

Combining Statement Of Cash Flows
Internal Service Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Technology Services	General Services	Fleet Operations	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers/Loan Interest/Fees/Premiums	$ 1,912	$ 4,182	$ 23,631	$ 19,711
Receipts from State Customers	145,429	16,079	45,310	16,932
Payments to Suppliers/Claims/Grants	(51,833)	(13,967)	(26,931)	(27,892)
Payments for Employee Services and Benefits	(73,948)	(3,875)	(2,050)	(2,664)
Payments to State Suppliers and Grants	(17,912)	—	(31,476)	(6,120)
Net Cash Provided (Used) by Operating Activities	3,648	2,419	8,484	(33)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayments Under Interfund Loans	(492)	—	—	—
Payments of Bonds, Notes, Deposits, and Refunds	—	—	—	—
Interest Paid on Bonds, Notes, and Financing Costs	—	—	—	—
Transfers Out to Other Funds	—	—	(2,000)	—
Net Cash Provided (Used) by Noncapital Financing Activities	(492)	0	(2,000)	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	3,176	380	6,576	—
Proceeds from Disposition of Capital Assets	122	50	3,065	—
Federal Grants and Other Revenues	—	—	687	—
Principal Paid on Debt and Contract Maturities	—	(76)	—	—
Acquisition and Construction of Capital Assets	(6,454)	(1,436)	(16,922)	(289)
Interest Paid on Bonds, Notes, and Capital Leases	—	(16)	—	—
Transfers In from Other Funds	—	—	95	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,156)	(1,098)	(6,499)	(289)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest and Dividends from Investments	—	—	—	341
Net Cash Provided (Used) by Investing Activities	0	0	0	341
Net Cash Provided (Used) – All Activities	0	1,321	(15)	19
Cash and Cash Equivalents – Beginning	—	1,338	93	55,269
Cash and Cash Equivalents – Ending	$ 0	$ 2,659	$ 78	$ 55,288

Property Management	Human Resource Management	Total
$ 920	$ 215	$ 50,571
24,655	10,176	258,581
(18,677)	(337)	(139,637)
(7,928)	(9,006)	(99,471)
(614)	(1,912)	(58,034)
(1,644)	(864)	12,010
—	—	(492)
(20)	—	(20)
(22)	—	(22)
—	—	(2,000)
(42)	0	(2,534)
—	—	10,132
—	2	3,239
—	—	687
—	—	(76)
(36)	(54)	(25,191)
—	—	(16)
—	—	95
(36)	(52)	(11,130)
—	—	341
0	0	341
(1,722)	(916)	(1,313)
7,481	3,578	67,759
$ 5,759	$ 2,662	$ 66,446

Continues

Combining Statement Of Cash Flows
Internal Service Funds

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Technology Services	General Services	Fleet Operations	Risk Management
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (2,597)	$ 2,002	$ (4,333)	$ 685
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	6,440	1,649	9,399	70
Miscellaneous Gains, Losses, and Other Items	—	(222)	(263)	(812)
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	(1,067)	67	4,291	8
Notes/Accrued Interest Receivables	—	—	—	(487)
Inventories	(135)	(105)	(81)	—
Prepaid Items/Deferred Charges	(2,447)	(4)	—	—
Accrued Liabilities/Due to Other Funds	3,454	(966)	(529)	(1,466)
Unearned Revenue/Deposits	—	(2)	—	—
Policy Claims Liabilities	—	—	—	1,969
Net Cash Provided (Used) by Operating Activities	$ 3,648	$ 2,419	$ 8,484	$ (33)
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ —	$ (58)
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ 0	$ (58)

Property Management	Human Resource Management	Total
$ (1,069)	$ (751)	$ (6,063)
23	9	17,590
—	—	(1,297)
(880)	(90)	2,329
—	—	(487)
—	—	(321)
20	(168)	(2,599)
262	136	891
—	—	(2)
—	—	1,969
$ (1,644)	$ (864)	$ 12,010
$ (12)	$ —	$ (70)
$ (12)	$ 0	$ (70)

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Fiduciary Funds

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Defined Benefit Pension Plans and Defined Contribution Plans

These funds are used to account for the various pension trust funds and defined contribution plans administered by the Utah Retirement Systems. Funding comes from employee and employer contributions and investment earnings. Contributions in some systems are augmented by fees, insurance premium taxes, or legislative appropriations.

Post-Retirement Benefits Trust Funds

The State administers the State Employee and the Elected Official Other Postemployment Benefit Plans as irrevocable trusts. These trusts funds account for the assets accumulated and the payments made for other postemployment benefits provided to current and future state employee and elected official retirees. Funding comes from employer contributions and investment earnings.

PRIVATE PURPOSE TRUST FUNDS

Utah Navajo Royalties Holding

This fund receives oil royalties, operating, and other trust revenues. Funds received are used for the health, education, and general welfare of Navajo residents of San Juan County, Utah.

Unclaimed Property Trust

This fund is used to account for unclaimed property escheated to the State. Proceeds of the fund pay the administrative costs to operate the fund and any claims. The remaining proceeds are deposited in the Education Fund and can only be used to help fund public education.

Employers' Reinsurance Trust

This fund primarily provides compensation to individuals injured from industrial accidents or occupational diseases occurring on or before June 30, 1994, where the injury is of a permanent nature and workers' compensation benefits have expired. Revenues come from assessments on insurance premiums and court-ordered penalties. The net assets of the fund are held in trust for injured workers and cannot be used for any other purpose.

Petroleum Storage Tank Trust

This fund is used to pay the costs of damage caused by petroleum storage tank releases. Sources of funding include fees from participating companies, recovered costs and settlements from responsible parties, and investment income. The net assets of this fund are held in trust for the benefit of participants and cannot be used for any other purpose.

Utah Educational Savings Plan Trust

This fund was created as a means to encourage investment in a public trust to pay for future higher education costs. Participant contributions are used to pay for future college expenses.

Miscellaneous Restricted Trust

This is made up of various small individual funds created to receive and disburse funds in accordance with applicable laws and trust agreements.

AGENCY FUNDS

Taxes and Social Security

This fund is used to account for federal withholding and social security taxes on the State's payroll.

County and Local Collections

This fund receives and disburses various taxes collected by the State on behalf of county and local governments.

State Courts

This fund receives and disburses various fines and forfeitures collected by the state courts on behalf of state and local agencies.

Deposits, Suspense, and Miscellaneous

This fund is made up of small individual funds set up to account for various receipts and disbursements.

Combining Statement Of Fiduciary Net Assets
Pension And
Other Employee Benefit Trust Funds

June 30, 2012 (Expressed in Thousands)

	Pension Trust			
	Non-Contributory System	Contributory System	Public Safety System	Firefighters System
ASSETS				
Cash and Cash Equivalents	$ 794,121	$ 50,548	$ 104,874	$ 38,045
Receivables:				
Member Contributions	—	301	37	636
Employer Contributions	34,994	563	4,030	—
Court Fees and Fire Insurance Premiums	—	—	—	3,084
Investments	349,372	22,240	46,134	16,739
Total Receivables	384,366	23,104	50,201	20,459
Due From Other Funds	—	—	—	—
Investments:				
Debt Securities	3,212,336	204,489	424,188	153,905
Equity Investments	5,848,825	372,321	772,339	280,220
Absolute Return	2,625,059	167,104	346,641	125,768
Private Equity	1,800,558	114,619	237,765	86,266
Real Assets	2,304,953	146,727	304,370	110,432
Mortgage Loans	5,468	348	721	262
Invested Securities Lending Collateral	1,383,847	88,092	182,738	66,301
Total Investments	17,181,046	1,093,700	2,268,762	823,154
Capital Assets:				
Land	1,422	91	187	67
Buildings and Improvements	9,237	590	1,210	437
Machinery and Equipment	4,576	292	600	217
Less Accumulated Depreciation	(14,327)	(915)	(1,878)	(678)
Total Capital Assets	908	58	119	43
Total Assets	18,360,441	1,167,410	2,423,956	881,701
LIABILITIES				
Accounts Payable	419,385	26,690	55,367	20,088
Securities Lending Liability	1,383,847	88,092	182,738	66,301
Leave/Postemployment Benefits	9,669	616	1,277	464
Insurance Reserves	3,993	254	527	191
Real Estate Liabilities	608,075	38,708	80,296	29,133
Total Liabilities	2,424,969	154,360	320,205	116,177
NET ASSETS				
Held in trust for:				
Pension Benefits	15,935,472	1,013,050	2,103,751	765,524
Other Postemployment Benefits	—	—	—	—
Defined Contribution	—	—	—	—
Total Net Assets	$ 15,935,472	$ 1,013,050	$ 2,103,751	$ 765,524

Pension Trust				Defined Contribution Plans			
Judges System	Governors and Legislative Pension Plan	Tier 2 Public Employees	Tier 2 Safety and Firefighters	401(k) Plan	457 Plan	IRA Plans	Health Reimbursement Arrangement
$ 6,137	$ 447	$ 115	$ 6	$ 3,324	$ 41	$ 15	$ 8,329
—	—	—	—	—	—	—	—
147	—	542	12	—	—	—	—
223	—	—	—	—	—	—	—
2,700	196	50	2	73,442	7,439	—	817
3,070	196	592	14	73,442	7,439	0	817
—	—	—	—	—	—	—	—
24,822	1,805	455	15	1,336,281	149,369	28,846	—
45,195	3,285	829	27	1,437,409	160,647	24,636	—
20,284	1,474	372	12	—	—	—	—
13,913	1,011	255	9	—	—	—	—
17,811	1,295	327	11	34,963	4,049	943	—
42	3	1	—	—	—	—	—
10,693	777	196	7	—	—	—	—
132,760	9,650	2,435	81	2,808,653	314,065	54,425	0
11	2	—	—	—	—	—	—
71	10	—	—	—	—	—	—
35	5	—	—	—	—	—	—
(110)	(16)	—	—	—	—	—	—
7	1	0	0	0	0	0	0
141,974	10,294	3,142	101	2,885,419	321,545	54,440	9,146
3,240	235	59	2	4,412	189	27	33
10,693	777	196	7	—	—	—	—
75	6	2	—	—	—	—	—
31	2	—	—	—	—	—	—
4,700	341	86	3	—	—	—	—
18,739	1,361	343	12	4,412	189	27	33
123,235	8,933	2,799	89	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	2,881,007	321,356	54,413	9,113
$ 123,235	$ 8,933	$ 2,799	$ 89	$ 2,881,007	$ 321,356	$ 54,413	$ 9,113

Continues

Combining Statement Of Fiduciary Net Asse
Pension And
Other Employee Benefit Trust Funds

Continued

June 30, 2012 (Expressed in Thousands)

	Post-Retirement Benefits Trust		
	State Employee	**Elected Official**	**Total**
ASSETS			
Cash and Cash Equivalents	$ 210	$ —	$ 1,006,212
Receivables:			
Member Contributions	—	—	974
Employer Contributions	364	—	40,652
Court Fees and Fire Insurance Premiums	—	—	3,307
Investments	—	—	519,131
Total Receivables	364	0	564,064
Due From Other Funds	2,843	—	2,843
Investments:			
Debt Securities	49,623	2,038	5,588,172
Equity Investments	89,978	1,506	9,037,217
Absolute Return	—	—	3,286,714
Private Equity	—	—	2,254,396
Real Assets	—	—	2,925,881
Mortgage Loans	—	—	6,845
Invested Securities Lending Collateral	—	—	1,732,651
Total Investments	139,601	3,544	24,831,876
Capital Assets:			
Land	—	—	1,780
Buildings and Improvements	—	—	11,555
Machinery and Equipment	—	—	5,725
Less Accumulated Depreciation	—	—	(17,924)
Total Capital Assets	0	0	1,136
Total Assets	143,018	3,544	26,406,131
LIABILITIES			
Accounts Payable	—	—	529,727
Securities Lending Liability	—	—	1,732,651
Leave/Postemployment Benefits	—	356	12,465
Insurance Reserves	—	—	4,998
Real Estate Liabilities	—	—	761,342
Total Liabilities	0	356	3,041,183
NET ASSETS			
Held in trust for:			
Pension Benefits	—	—	19,952,853
Other Postemployment Benefits	143,018	3,188	146,206
Defined Contribution	—	—	3,265,889
Total Net Assets	$ 143,018	$ 3,188	$ 23,364,948

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Combining Statement Of Changes In Fiduciary Net Assets
Pension And
Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Pension Trust			
	Non-Contributory System	Contributory System	Public Safety System	Firefighters System
ADDITIONS				
Contributions:				
Member	$ 12,879	$ 7,300	$ 1,070	$ 17,328
Employer	610,270	11,125	110,829	316
Court Fees and Fire Insurance Premiums	—	—	—	12,689
Total Contributions	623,149	18,425	111,899	30,333
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	101,015	6,550	13,260	4,840
Interest, Dividends, and Other Investment Income	337,591	21,890	44,318	16,175
Less Investment Expenses	(37,501)	(2,431)	(4,923)	(1,797)
Net Investment Income	401,105	26,009	52,655	19,218
Transfers From Affiliated Systems	—	32,064	3,303	1,699
Total Additions	1,024,254	76,498	167,857	51,250
DEDUCTIONS				
Retirement Benefits	709,359	52,933	99,685	32,716
Cost of Living Benefits	134,337	15,160	20,482	8,313
Supplemental Retirement Benefits	—	282	403	377
Retiree Healthcare Benefits	—	—	—	—
Refunds/Plan Distributions	2,514	1,872	536	268
Administrative Expenses	7,304	449	1,019	312
Transfers To Affiliated Systems	37,473	—	—	—
Total Deductions	890,987	70,696	122,125	41,986
Change in Net Assets Held in Trust for:				
Pension Benefits	133,267	5,802	45,732	9,264
Other Postemployment Benefits	—	—	—	—
Defined Contribution	—	—	—	—
Net Assets – Beginning	15,802,205	1,007,248	2,058,019	756,260
Net Assets – Ending	$ 15,935,472	$ 1,013,050	$ 2,103,751	$ 765,524

Pension Trust				Defined Contribution Plans			
Judges System	Governors and Legislative Pension Plan	Tier 2 Public Employees	Tier 2 Safety and Firefighters	401(k) Plan	457 Plan	IRA Plans	Health Reimbursement Arrangement
$ —	$ —	$ —	$ —	$ 210,592	$ 26,441	$ 13,965	$ —
3,588	153	2,790	89	—	—	—	4,264
1,815	—	—	—	—	—	—	—
5,403	153	2,790	89	210,592	26,441	13,965	4,264
784	58	2	—	(15,247)	(2,423)	(513)	—
2,621	195	8	—	3,172	301	—	17
(291)	(22)	(1)	—	(2,789)	(300)	(50)	—
3,114	231	9	0	(14,864)	(2,422)	(563)	17
390	17	—	—	—	—	—	—
8,907	401	2,799	89	195,728	24,019	13,402	4,281
6,974	639	—	—	—	—	—	—
1,675	162	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	194,933	18,811	5,699	1,426
60	4	—	—	6,465	726	112	17
—	—	—	—	—	—	—	—
8,709	805	0	0	201,398	19,537	5,811	1,443
198	(404)	2,799	89	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	(5,670)	4,482	7,591	2,838
123,037	9,337	—	—	2,886,677	316,874	46,822	6,275
$ 123,235	$ 8,933	$ 2,799	$ 89	$ 2,881,007	$ 321,356	$ 54,413	$ 9,113

Continues

Combining Statement Of Changes In Fiducia
Pension And
Other Employee Benefit Trust Funds

Continued

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Post-Retirement Benefits Trust		
	State Employee	**Elected Official**	**Total**
ADDITIONS			
Contributions:			
Member	$ —	$ —	$ 289,575
Employer	43,293	3,470	790,187
Court Fees and Fire Insurance Premiums	—	—	14,504
Total Contributions	43,293	3,470	1,094,266
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	6,060	71	114,457
Interest, Dividends, and Other Investment Income	78	3	426,369
Less Investment Expenses	—	—	(50,105)
Net Investment Income	6,138	74	490,721
Transfers From Affiliated Systems	—	—	37,473
Total Additions	49,431	3,544	1,622,460
DEDUCTIONS			
Retirement Benefits	—	—	902,306
Cost of Living Benefits	—	—	180,129
Supplemental Retirement Benefits	—	—	1,062
Retiree Healthcare Benefits	30,344	356	30,700
Refunds/Plan Distributions	—	—	226,059
Administrative Expenses	—	—	16,468
Transfers To Affiliated Systems	—	—	37,473
Total Deductions	30,344	356	1,394,197
Change in Net Assets Held in Trust for:			
Pension Benefits	—	—	196,747
Other Postemployment Benefits	19,087	3,188	22,275
Defined Contribution	—	—	9,241
Net Assets – Beginning	123,931	—	23,136,685
Net Assets – Ending	$ 143,018	$ 3,188	$ 23,364,948

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Combining Statement Of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2012 (Expressed in Thousands)

	Utah Navajo Royalties Holding	Unclaimed Property Trust	Employers' Reinsurance Trust	Petroleum Storage Tank Trust
ASSETS				
Cash and Cash Equivalents	$ 248	$ —	$ 3,043	$ 836
Receivables:				
Accounts	2,489	—	5,013	4
Accrued Assessments	—	—	2,986	—
Court Settlement	23,000	—	—	—
Due From Other Funds	828	—	3	—
Investments:				
Debt Securities	23,204	57,302	168,876	15,065
Equity Investments	101	10,031	—	—
Total Investments	23,305	67,333	168,876	15,065
Capital Assets:				
Land	271	—	—	—
Buildings and Improvements	10,715	—	—	—
Machinery and Equipment	173	—	—	—
Less Accumulated Depreciation	(2,911)	—	—	—
Total Capital Assets	8,248	0	0	0
Total Assets	58,118	67,333	179,921	15,905
LIABILITIES				
Accounts Payable	307	4	135	217
Due To Other Funds	123	—	66	—
Unearned Revenue	5	—	—	229
Policy Claims Liabilities	—	—	239,373	30,477
Total Liabilities	435	4	239,574	30,923
NET ASSETS				
Held in trust for:				
Individuals, Organizations, and Other Governments	57,683	67,329	(59,653)	(15,018)
Total Net Assets	$ 57,683	$ 67,329	$ (59,653)	$ (15,018)

Utah Educational Savings Plan Trust	Miscellaneous Restricted Trust	Total
$ 1,157	$ 670	$ 5,954
—	—	7,506
—	—	2,986
—	—	23,000
—	405	1,236
595,487	16,619	876,553
4,123,377	—	4,133,509
4,718,864	16,619	5,010,062
—	—	271
—	—	10,715
1,087	—	1,260
(827)	—	(3,738)
260	0	8,508
4,720,281	17,694	5,059,252
748	163	1,574
—	6	195
—	—	234
—	—	269,850
748	169	271,853
4,719,533	17,525	4,787,399
$ 4,719,533	$ 17,525	$ 4,787,399

Combining Statement Of Changes In Fiduciary Net Assets
Private Purpose Trust Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Utah Navajo Royalties Holding	Unclaimed Property Trust	Employers' Reinsurance Trust	Petroleum Storage Tank Trust
ADDITIONS				
Contributions:				
Member	$ —	$ —	$ —	$ —
Total Contributions	0	0	0	0
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	56	6	(74)	(89)
Interest, Dividends, and Other Investment Income	128	471	1,203	107
Total Investment Income	184	477	1,129	18
Other Additions:				
Escheats	—	22,072	—	—
Royalties and Rents	5,417	—	—	—
Fees, Assessments, and Revenues	40	—	14,799	5,141
Court Settlement / Miscellaneous	—	—	—	—
Total Other	5,457	22,072	14,799	5,141
Total Additions	5,641	22,549	15,928	5,159
DEDUCTIONS				
Trust Operating Expenses	119	—	—	2,029
Distributions and Benefit Payments	—	11,711	7,646	—
Administrative and General Expenses	1,849	3,873	3,390	1,306
Total Deductions	1,968	15,584	11,036	3,335
Change in Net Assets Held in Trust for:				
Individuals, Organizations, and Other Governments	3,673	6,965	4,892	1,824
Net Assets – Beginning	54,010	60,364	(64,545)	(16,842)
Net Assets – Ending	$ 57,683	$ 67,329	$ (59,653)	$ (15,018)

Utah Educational Savings Plan Trust	Miscellaneous Restricted Trust	Total
$ 565,129	$ 10,410	$ 575,539
565,129	10,410	575,539
20,494	(61)	20,332
90,326	88	92,323
110,820	27	112,655
—	—	22,072
—	—	5,417
—	22,139	42,119
2	6,052	6,054
2	28,191	75,662
675,951	38,628	763,856
—	26,640	28,788
169,816	10,404	199,577
5,968	1,841	18,227
175,784	38,885	246,592
500,167	(257)	517,264
4,219,366	17,782	4,270,135
$ 4,719,533	$ 17,525	$ 4,787,399

Combining Statement Of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012 (Expressed in Thousands)

	Taxes and Social Security	County and Local Collections	State Courts	Deposits, Suspense, and Miscellaneous	Total
ASSETS					
Cash and Cash Equivalents	$ —	$ 111,268	$ 29,989	$ 28,512	$ 169,769
Accounts Receivable	81	4	—	11,654	11,739
Due From Other Funds	—	—	—	1,508	1,508
Investments:					
Debt Securities	—	1	—	24,560	24,561
Total Investments	0	1	0	24,560	24,561
Total Assets	$ 81	$ 111,273	$ 29,989	$ 66,234	$ 207,577
LIABILITIES					
Due To Individuals, Organizations, and Other Governments	$ 81	$ 111,273	$ 29,989	$ 66,234	$ 207,577
Total Liabilities	$ 81	$ 111,273	$ 29,989	$ 66,234	$ 207,577

Combining Statement Of Changes In Assets And Liabilities Agency Funds

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
TAXES AND SOCIAL SECURITY				
Assets				
Cash and Cash Equivalents	$ 12	$ 220,191	$ 220,203	$ —
Receivables:				
Accounts	—	81	—	81
Total Assets	$ 12	$ 220,272	$ 220,203	$ 81
Liabilities				
Due To Individuals, Organizations, and Other Governments	$ 12	$ 220,318	$ 220,249	$ 81
Total Liabilities	$ 12	$ 220,318	$ 220,249	$ 81
COUNTY AND LOCAL COLLECTIONS				
Assets				
Cash and Cash Equivalents	$ 116,068	$ 1,300,441	$ 1,305,241	$ 111,268
Investments	5	2,929	2,933	1
Receivables:				
Accounts Receivable	5	4	5	4
Total Assets	$ 116,078	$ 1,303,374	$ 1,308,179	$ 111,273
Liabilities				
Due To Individuals, Organizations, and Other Governments	$ 116,078	$ 1,310,805	$ 1,315,610	$ 111,273
Total Liabilities	$ 116,078	$ 1,310,805	$ 1,315,610	$ 111,273
STATE COURTS				
Assets				
Cash and Cash Equivalents	$ 36,254	$ 111,676	$ 117,941	$ 29,989
Total Assets	$ 36,254	$ 111,676	$ 117,941	$ 29,989
Liabilities				
Due To Individuals, Organizations, and Other Governments	$ 36,254	$ 81,037	$ 87,302	$ 29,989
Total Liabilities	$ 36,254	$ 81,037	$ 87,302	$ 29,989
DEPOSITS, SUSPENSE, AND MISCELLANEOUS				
Assets				
Cash and Cash Equivalents	$ 21,595	$ 1,907,236	$ 1,900,319	$ 28,512
Investments	22,686	134,287	132,413	24,560
Receivables:				
Accounts Receivable	10,216	1,651	213	11,654
Due From Other Funds	253	1,509	254	1,508
Total Assets	$ 54,750	$ 2,044,683	$ 2,033,199	$ 66,234
Liabilities				
Due To Individuals, Organizations, and Other Governments	$ 54,750	$ 1,821,462	$ 1,809,978	$ 66,234
Total Liabilities	$ 54,750	$ 1,821,462	$ 1,809,978	$ 66,234
TOTAL — ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$ 173,929	$ 3,539,544	$ 3,543,704	$ 169,769
Investments	22,691	137,216	135,346	24,561
Receivables:				
Accounts Receivable	10,221	1,736	218	11,739
Due From Other Funds	253	1,509	254	1,508
Total Assets	$ 207,094	$ 3,680,005	$ 3,679,522	$ 207,577
Liabilities				
Due To Individuals, Organizations, and Other Governments	$ 207,094	$ 3,433,622	$ 3,433,139	$ 207,577
Total Liabilities	$ 207,094	$ 3,433,622	$ 3,433,139	$ 207,577

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Nonmajor Component Units

Comprehensive Health Insurance Pool

The Pool was created as a nonprofit quasi-governmental entity to provide access to health insurance coverage for residents of the State who are considered uninsurable. Ongoing operating costs are recovered through premium charges supplemented with both appropriations from the General Fund and federal grants.

Utah Schools for the Deaf and the Blind

The Schools were created to provide education to individuals with hearing and/or vision impairments, through direct and indirect education services, as well as consultation to their families and service providers.

Military Installation Development Authority

This Authority is an independent, nonprofit entity whose purpose is to provide for the development and improvement of project areas near military installations throughout the State. Operations are funded through service charges, project revenue, and state appropriations.

Heber Valley Historic Railroad Authority

The Authority was created to operate, maintain, improve, and provide for a scenic and historic railway in and around the Heber Valley in Wasatch County. Operations are funded primarily through user charges.

Utah State Fair Corporation

The Corporation was created to operate the State Fair Park and conduct the Utah State Fair and other expositions and entertainment events. Operations are funded by admissions, rentals, donations, and state appropriations.

Colleges and Universities

The colleges and universities are the State's public institutions of higher education. The nonmajor institutions of higher education are:

Weber State University
Southern Utah University
Salt Lake Community College
Utah Valley University
Dixie State College of Utah
Snow College
Utah College of Applied Technology

Combining Statement Of Net Assets
Nonmajor Component Units

June 30, 2012 (Expressed in Thousands)

	Comprehensive Health Insurance Pool	Utah Schools for the Deaf and the Blind	Military Installation Development Authority	Heber Valley Historic Railroad Authority	Utah State Fair Corporation
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 23,500	$ 1,444	$ 2,924	$ —	$ 1,480
Investments	—	—	—	—	—
Receivables:					
Accounts, net	58	690	—	26	117
Notes/Loans/Mortgages/Pledges, net	—	—	—	—	—
Accrued Interest	—	—	—	—	—
Due From Primary Government	—	476	—	—	—
Prepaid Items	—	—	—	—	38
Inventories	—	—	—	35	—
Deferred Charges	—	—	149	—	—
Total Current Assets	23,558	2,610	3,073	61	1,635
Noncurrent Assets:					
Restricted Investments	—	—	685	—	—
Accounts Receivables, net	—	—	—	—	—
Investments	—	—	—	—	—
Notes/Loans/Mortgages/Pledges Receivables, net	—	—	—	—	—
Other Assets	—	—	—	—	—
Capital Assets (net of Accumulated Depreciation)	—	14,091	5	2,527	704
Total Noncurrent Assets	0	14,091	690	2,527	704
Total Assets	23,558	16,701	3,763	2,588	2,339
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	31	1,285	107	349	417
Deposits	—	—	—	—	—
Due To Primary Government	—	202	—	—	—
Unearned Revenue	313	14	—	—	101
Current Portion of Long-term Liabilities	2,841	—	82	275	51
Total Current Liabilities	3,185	1,501	189	624	569
Noncurrent Liabilities:					
Unearned Revenue	—	—	—	—	—
Deposits	—	—	—	—	—
Long-term Liabilities	—	—	2,463	292	—
Total Noncurrent Liabilities	0	0	2,463	292	0
Total Liabilities	3,185	1,501	2,652	916	569
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	—	14,091	5	2,527	653
Restricted for:					
Nonexpendable:					
Higher Education	—	—	—	—	—
Expendable:					
Higher Education	—	—	—	—	—
Other	—	—	719	—	50
Unrestricted (Deficit)	20,373	1,109	387	(855)	1,067
Total Net Assets	$ 20,373	$ 15,200	$ 1,111	$ 1,672	$ 1,770

Weber State University	Southern Utah University	Salt Lake Community College	Utah Valley University	Dixie State College of Utah	Snow College	Utah College of Applied Technology	Total Nonmajor Component Units
$ 50,747	$ 19,161	$ 21,084	$ 148,379	$ 20,699	$ 7,477	$ 17,631	$ 314,526
33,414	13,076	47,807	—	—	250	997	95,544
4,239	3,989	6,882	7,256	833	489	3,985	28,564
2,354	282	479	4,522	891	607	250	9,385
157	—	—	—	—	112	—	269
—	—	—	—	—	—	—	476
295	4,761	17	1,312	22	90	129	6,664
3,204	855	2,445	3,877	1,259	345	1,909	13,929
386	—	—	—	—	13	—	548
94,796	42,124	78,714	165,346	23,704	9,383	24,901	469,905
21,796	13,222	11,793	26,143	4,667	13,871	339	92,516
1,981	—	—	2,700	622	—	—	5,303
108,662	11,853	28,917	—	19,159	9,991	903	179,485
11,454	3,171	4,064	10,992	1,820	194	187	31,882
—	706	297	3,577	636	291	—	5,507
223,146	137,863	181,226	275,219	133,228	101,343	147,718	1,217,070
367,039	166,815	226,297	318,631	160,132	125,690	149,147	1,531,763
461,835	208,939	305,011	483,977	183,836	135,073	174,048	2,001,668
4,620	4,824	8,459	8,285	1,510	1,621	3,920	35,428
—	555	2,273	511	203	323	499	4,364
5,146	516	1,019	1,522	2,440	4,120	254	15,219
6,805	5,652	7,603	8,709	980	403	1,282	31,862
4,555	3,177	5,558	4,871	1,851	1,005	1,307	25,573
21,126	14,724	24,912	23,898	6,984	7,472	7,262	112,446
—	—	—	3,630	—	—	—	3,630
—	—	—	—	—	61	338	399
65,989	21,630	10,487	73,546	15,227	18,014	5,895	213,543
65,989	21,630	10,487	77,176	15,227	18,075	6,233	217,572
87,115	36,354	35,399	101,074	22,211	25,547	13,495	330,018
177,010	116,904	172,455	202,341	115,220	85,422	143,034	1,029,662
58,625	16,396	3,877	15,253	18,512	5,039	846	118,548
48,493	14,943	20,351	92,485	8,085	4,064	3,984	192,405
—	—	—	—	—	—	—	769
90,592	24,342	72,929	72,824	19,808	15,001	12,689	330,266
$ 374,720	$ 172,585	$ 269,612	$ 382,903	$ 161,625	$ 109,526	$ 160,553	$ 1,671,650

Combining Statement Of Activities
Nonmajor Component Units

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	Comprehensive Health Insurance Pool	Utah Schools for the Deaf and the Blind	Military Installation Development Authority	Heber Valley Historic Railroad Authority	Utah State Fair Corporation
Expenses	$ 34,171	$ 27,847	$ 17,417	$ 1,915	$ 4,126
Program Revenues:					
Charges for Services:					
Tuition and Fees	—	—	—	—	—
Scholarship Allowances	—	—	—	—	—
Sales, Services, and Other Revenues	22,683	5,100	9,130	1,799	3,513
Operating Grants and Contributions	851	767	—	—	—
Capital Grants and Contributions	—	—	—	—	—
Total Program Revenues	23,534	5,867	9,130	1,799	3,513
Net (Expenses) Revenues	(10,637)	(21,980)	(8,287)	(116)	(613)
General Revenues:					
State Appropriations	8,075	22,747	—	—	675
Unrestricted Investment Income	158	—	22	—	—
Permanent Endowments Contributions	—	—	—	—	—
Total General Revenues	8,233	22,747	22	0	675
Change in Net Assets	(2,404)	767	(8,265)	(116)	62
Net Assets – Beginning	22,777	14,433	9,376	1,788	1,708
Net Assets – Ending	$ 20,373	$ 15,200	$ 1,111	$ 1,672	$ 1,770

Weber State University	Southern Utah University	Salt Lake Community College	Utah Valley University	Dixie State College of Utah	Snow College	Utah College of Applied Technology	Total Nonmajor Component Units
$ 198,671	$ 112,145	$ 203,146	$ 279,702	$ 85,122	$ 42,708	$ 84,285	$ 1,091,255
101,883	44,964	79,572	138,676	33,322	11,138	13,720	423,275
(23,742)	(12,705)	(21,645)	(30,999)	(7,947)	(3,756)	(2,547)	(103,341)
21,845	20,988	18,566	24,030	9,395	6,424	7,923	151,396
43,728	26,240	54,330	88,699	24,819	7,753	17,559	264,746
4,408	4,863	8,916	48,959	35,559	277	2,576	105,558
148,122	84,350	139,739	269,365	95,148	21,836	39,231	841,634
(50,549)	(27,795)	(63,407)	(10,337)	10,026	(20,872)	(45,054)	(249,621)
61,491	29,886	64,714	64,588	21,516	20,296	43,170	337,158
2,360	429	2,134	2,096	3,884	—	68	11,151
1,046	4,371	—	805	564	67	—	6,853
64,897	34,686	66,848	67,489	25,964	20,363	43,238	355,162
14,348	6,891	3,441	57,152	35,990	(509)	(1,816)	105,541
360,372	165,694	266,171	325,751	125,635	110,035	162,369	1,566,109
$ 374,720	$ 172,585	$ 269,612	$ 382,903	$ 161,625	$ 109,526	$ 160,553	$ 1,671,650

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STATISTICAL SECTION

Two years ago, the Governor set a goal to double Utah's exports in five years. As a result, Utah saw a 41 percent increase the first year that included a more diversified export base ranging from life-saving medical devices to advanced semiconductors.

Merit Medical

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Statistical Section

This part of the State of Utah's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes to the financial statements, and required supplementary information says about the State's overall financial health.

Financial Trends Information

These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

Schedule A–1	Net Assets by Component	208
Schedule A–2	Changes in Net Assets	210
Schedule A–3	Fund Balances — Governmental Funds	214
Schedule A–4	Changes in Fund Balances — Governmental Funds	216

Revenue Capacity Information

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule B–1	Revenue Base	218
Schedule B–2	Revenue Payers by Industry — Taxable Sales, Services, and Use Tax Purchases	220
Schedule B–3	Revenue Payers — Personal Income Tax	221
Schedule B–4	Personal Income Tax Rates	222

Debt Capacity Information

These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule C–1	Ratios of Outstanding Debt by Type	224
Schedule C–2	Other Long-Term Liabilities	226
Schedule C–3	Legal Debt Margin	228
Schedule C–4	Statutory Debt Limit	228
Schedule C–5	Pledged Revenue Bond Coverage	230

Demographic and Economic Information

These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Schedule D–1	Demographic and Economic Indicators	231
Schedule D–2	Principal Employers	232
Schedule D–3	Composition of Labor Force	234
Schedule D–4	Public Education Student Enrollment (K–12)	236
Schedule D–5	Public Higher Education Enrollment	236

Operating Information

These schedules offer operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Schedule E–1	Full-Time Equivalent State Employees by Function	238
Schedule E–2	Operating Indicators by Function	240
Schedule E–3	Capital Asset Statistics by Function	242

Other Information

These graphs and schedules offer a historical view of expenditures in constant dollars.

Schedule F–1	Expenditures — Historical and Constant Dollars	244
Schedule F–2	Per Capita Expenditures — Historical and Constant Dollars	245

Sources: *Unless otherwise noted, the information in the following schedules is derived from the State of Utah Comprehensive Annual Financial Report.*

State of Utah

Net Assets by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting) (Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	$ 7,661,130	$ 7,942,495	$ 8,197,279	$ 8,719,751
Restricted [1]	973,636	1,237,258	1,518,523	2,379,269
Unrestricted [1]	336,129	408,145	690,177	856,207
Total Governmental Activities Net Assets	8,970,895	9,587,898	10,405,979	11,955,227
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	22,104	24,141	28,419	32,068
Restricted [2]	814,147	807,224	928,115	1,139,691
Unrestricted [3]	668,198	724,154	793,099	893,118
Total Business-type Activities Net Assets	1,504,449	1,555,519	1,749,633	2,064,877
Primary Government				
Invested in Capital Assets, Net of Related Debt	7,683,234	7,966,636	8,225,698	8,751,819
Restricted	1,787,783	2,044,482	2,446,638	3,518,960
Unrestricted	1,004,327	1,132,299	1,483,276	1,749,325
Total Primary Government Net Assets	$ 10,475,344	$ 11,143,417	$ 12,155,612	$ 14,020,104

Notes: This schedule has been restated for prior period adjustments. Adjustments were made to the fiscal year and the preceding fiscal year in which the prior period adjustment was identified.

[1] From fiscal years 2004 to 2007, governmental activities' restricted and unrestricted net assets increased due to higher tax revenues from a strengthening economy. In fiscal years 2008 to 2010, governmental activities' restricted net assets decreased as the economy slowed and tax revenues declined. In fiscal years 2011 and 2012 restricted net assets increased due to slightly higher revenues from a strengthening economy.

[2] From fiscal years 2003 to 2004, business-type activities' restricted net assets decreased primarily due to unemployment claims exceeding related revenue. From fiscal years 2005 to 2008, business-type activities' restricted net assets increased due to unemployment revenues exceeding related claims. In fiscal year 2009, the weak economy caused an increase in unemployment claims, which in turn caused a decrease in the restricted assets of business-type activities.

[3] In fiscal years 2006 to 2009, business-type activities' unrestricted net assets increased primarily due to the State providing additional capital to the loan funds from mineral lease revenues.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 9,465,667	$ 10,447,357	$ 11,306,077	$ 12,005,321	$ 12,358,579	$ 12,773,959
3,043,599	2,618,556	2,349,499	2,009,168	2,337,607	2,601,082
1,163,548	1,169,342	689,052	895,517	1,055,226	1,083,417
13,672,814	14,235,255	14,344,628	14,910,006	15,751,412	16,458,458
13,008	13,837	13,751	13,061	12,862	13,293
1,334,737	1,434,828	1,269,006	1,272,090	1,311,865	1,463,006
971,435	1,037,893	1,080,231	937,452	984,552	1,053,270
2,319,180	2,486,558	2,362,988	2,222,603	2,309,279	2,529,569
9,478,675	10,461,194	11,319,828	12,018,382	12,371,441	12,787,252
4,378,336	4,053,384	3,618,505	3,281,258	3,649,472	4,064,088
2,134,983	2,207,235	1,769,283	1,832,969	2,039,778	2,136,687
$ 15,991,994	$ 16,721,813	$ 16,707,616	$ 17,132,609	$ 18,060,691	$ 18,988,027

State of Utah

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting) (Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
GOVERNMENTAL ACTIVITIES				
Expenses				
General Government	$ 194,211	$ 187,544	$ 240,091	$ 289,749
Human Services and Juvenile Justice Services	538,492	576,276	573,154	595,337
Corrections	184,805	197,043	195,716	208,922
Public Safety	127,861	150,772	162,922	182,042
Courts	106,045	97,894	98,319	109,180
Health and Environmental Quality [1]	1,177,121	1,341,059	1,461,016	1,635,544
Higher Education	647,572	781,468	694,732	810,228
Employment and Family Services	352,082	384,457	409,334	405,845
Natural Resources	119,528	119,188	121,714	133,441
Community and Culture	90,794	88,339	86,065	84,843
Business, Labor and Agriculture	66,965	72,693	84,992	90,573
Public Education [2]	1,981,119	2,033,153	2,169,071	2,321,139
Transportation	523,591	538,525	579,914	640,251
Interest and Other Charges on Long-Term Debt	73,835	75,935	76,382	70,345
Total Expenses	6,184,021	6,644,346	6,953,422	7,577,439
Program Revenues				
Charges for Services:				
General Government	84,500	96,780	99,303	121,067
Human Services and Juvenile Justice Services	17,182	11,918	13,193	11,073
Corrections	6,235	7,260	2,138	4,483
Public Safety	28,471	31,147	31,594	32,777
Courts	29,221	32,991	46,468	47,330
Health and Environmental Quality	74,087	84,251	108,406	98,296
Higher Education	676	231	282	115
Employment and Family Services	5,397	9,139	6,414	8,492
Natural Resources	35,353	41,554	44,842	50,308
Community and Culture	4,807	1,427	4,420	5,368
Business, Labor and Agriculture	50,318	55,906	61,637	64,098
Public Education	38,604	38,209	59,213	85,867
Transportation	97,759	134,123	137,934	175,821
Operating Grants and Contributions	2,034,177	2,347,065	2,436,116	2,744,231
Capital Grants and Contributions	123,883	105,149	124,836	100,519
Total Program Revenues	2,630,670	2,997,150	3,176,796	3,549,845
Net Program (Expense) — Governmental Activities	(3,553,351)	(3,647,196)	(3,776,626)	(4,027,594)
General Revenues and Other Changes in Net Assets				
Taxes:				
Sales Tax and Use Tax [3]	1,488,452	1,547,174	1,697,720	1,921,048
Individual Income Tax Imposed for Education [3]	1,604,618	1,760,844	2,001,286	2,496,911
Corporate Tax Imposed for Education [3]	160,705	165,921	209,403	379,801
Motor and Special Fuel Taxes Imposed for Transportation	317,536	332,673	335,625	356,176
Other Taxes	213,613	234,777	275,755	316,980
Unrestricted Investment Income	9,152	7,818	17,690	46,856
Gain on Sale of Capital Assets	15,412	13,072	23,010	46,084
Federal Appropriation–Jobs and Growth Relief	37,970	37,970	—	—
Miscellaneous	34,733	30,117	24,781	31,999
Transfers–Internal Activities	24,237	13,408	9,437	(19,013)
Prior Period Adjustments and Restatements	(306,163)	120,425	—	—
Total General Revenues and Other Changes in Net Assets	3,600,265	4,264,199	4,594,707	5,576,842
Change in Net Assets — Governmental Activities – Increase (Decrease)	46,914	617,003	818,081	1,549,248

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 328,779	$ 385,331	$ 390,373	$ 383,925	$ 402,543	$ 418,346
634,265	679,920	700,307	669,169	648,456	646,565
237,305	255,319	254,980	238,902	243,616	249,569
172,912	191,910	189,069	184,197	204,627	241,101
115,811	125,587	123,209	118,577	123,604	123,405
1,620,936	1,649,209	1,812,067	1,875,775	2,001,233	2,148,195
824,503	912,998	997,218	837,479	828,660	1,115,301
393,938	423,122	514,915	672,852	707,019	712,388
174,711	159,955	174,730	166,749	187,164	157,145
108,110	132,687	139,840	177,823	159,755	154,759
92,441	95,563	101,995	96,895	94,397	100,385
2,548,391	2,959,311	3,033,574	3,007,905	3,058,046	3,000,117
702,833	850,387	819,833	744,638	772,243	761,760
64,019	58,851	52,070	87,393	104,887	121,192
8,018,954	8,880,150	9,304,180	9,262,279	9,536,250	9,950,228
156,111	257,537	154,794	169,808	140,794	178,354
10,889	10,840	13,359	12,851	12,140	11,905
4,624	5,332	5,211	6,520	5,988	4,715
43,806	49,247	51,475	53,504	55,394	57,257
46,158	46,517	48,957	77,953	57,959	56,148
84,938	65,666	64,328	88,504	150,763	230,318
235	31	32,981	419	90	194
3,532	7,413	8,067	(2,715)	10,476	11,802
45,367	64,407	71,266	70,780	73,645	79,577
4,833	5,278	3,632	5,030	5,804	3,148
63,240	68,622	65,376	74,400	67,582	83,758
69,471	100,919	79,462	73,962	71,757	80,425
199,277	251,562	288,205	314,906	305,685	362,371
2,769,644	2,658,284	3,177,737	3,865,150	4,079,907	3,704,709
122,939	144,867	145,353	204,237	109,669	157,564
3,625,064	3,736,522	4,210,203	5,015,309	5,147,653	5,022,245
(4,393,890)	(5,143,628)	(5,093,977)	(4,246,970)	(4,388,597)	(4,927,983)
2,131,958	2,006,926	1,762,745	1,735,023	1,812,271	1,931,045
2,667,207	2,435,059	2,336,528	2,027,884	2,384,025	2,525,082
412,720	409,794	252,095	272,535	226,726	284,666
353,107	350,426	337,395	340,568	355,042	351,346
320,204	333,545	354,982	328,703	397,908	415,190
89,795	63,947	29,267	5,575	7,480	8,464
52,139	26,980	15,583	10,927	19,727	17,294
—	—	—	—	—	—
37,569	41,659	46,375	35,288	35,403	58,851
46,778	37,733	38,953	55,845	47,431	43,091
—	—	28,447	—	(56,010)	—
6,111,477	5,706,069	5,202,370	4,812,348	5,230,003	5,635,029
1,717,587	562,441	108,393	565,378	841,406	707,046

Continues

State of Utah

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting) (Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
BUSINESS-TYPE ACTIVITIES				
Expenses				
Student Assistance Programs	$ 86,995	$ 82,406	$ 95,495	$ 152,895
Unemployment Compensation [4]	307,834	242,828	142,632	102,476
Water Loan Programs	7,074	6,730	8,648	6,560
Community and Economic Loan Programs	1,482	1,199	1,160	1,570
Liquor Retail Sales	101,747	106,515	114,897	126,114
Other Business-type Activities	20,477	23,450	25,317	27,581
Total Expenses	525,609	463,128	388,149	417,196
Program Revenues				
Charges for Services:				
Student Assistance Programs	73,685	72,823	87,375	112,960
Unemployment Compensation	108,130	158,466	221,298	253,809
Water Loan Programs	8,975	9,160	9,796	10,715
Community and Economic Loan Programs	4,964	5,344	5,245	5,394
Liquor Retail Sales	134,810	143,634	153,004	173,400
Other Business-type Activities	22,574	27,401	30,865	32,826
Operating Grants and Contributions [5]	130,235	92,141	65,173	109,140
Total Program Revenues	483,373	508,969	572,756	698,244
Net Program Revenue (Expense) — Business-type Activities	(42,236)	45,841	184,607	281,048
General Revenues and Other Changes in Net Assets				
Taxes:				
Sales Tax and Use Tax	2,180	14,402	14,874	14,875
Unrestricted Investment Income	2,248	1,627	3,844	—
Gain on Sale of Capital Assets	—	—	226	308
Miscellaneous	—	—	—	—
Federal Appropriation–Jobs and Growth Relief	964	462	—	—
Transfers–Internal Activities	(24,237)	(13,408)	(9,437)	19,013
Prior Period Adjustments and Restatements	—	2,146	—	—
Total General Revenues and Other Changes in Net Assets	(18,845)	5,229	9,507	34,196
Change in Net Assets — Business-type Activities – Increase (Decrease)	(61,081)	51,070	194,114	315,244
Total Primary Government Change in Net Assets	$ (14,167)	$ 668,073	$ 1,012,195	$ 1,864,492

Notes: Legislative action created the Governor's Office of Economic Development in fiscal year 2006; this action moved activities from community and culture to the general government.

This schedule has been restated for prior period adjustments. Adjustments were made to the fiscal year and the preceding fiscal year in which the prior period adjustment was identified.

[1] Expenses for health and environmental quality have increased over the last ten fiscal years due to rising Medicaid program costs.

[2] Public education expenses continue to increase for both enrollment growth and benefit-related costs for educators.

[3] From fiscal years 2005 to 2007, general tax revenues, specifically sales and use taxes, individual income taxes, and corporate taxes, increased significantly compared to prior years due to Utah's continued economic improvement. In fiscal years 2008 to 2010, general tax revenues declined due to the recessionary economy. In fiscal years 2011 and 2012, general tax revenues increased due to slightly higher revenues from a strengthening economy.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 174,220	$ 164,411	$ 144,007	$ 156,754	$ 93,422	$ 111,662
97,692	148,424	489,925	872,826	642,023	436,880
13,042	10,477	12,900	31,971	38,069	19,045
1,136	2,310	2,349	2,166	1,770	2,604
143,721	160,635	168,844	180,401	190,373	201,976
31,404	33,417	35,635	30,886	33,796	47,341
461,215	519,674	853,660	1,275,004	999,453	819,508
126,498	117,246	89,805	109,804	71,966	66,312
219,690	157,624	144,383	170,224	296,847	380,533
10,634	12,135	12,234	13,875	10,584	13,710
5,876	6,524	7,838	9,033	10,583	11,843
195,276	219,801	228,474	238,767	252,225	272,363
39,753	44,140	49,437	41,527	44,230	33,555
138,252	143,853	214,876	546,840	421,016	276,762
735,979	701,323	747,047	1,130,070	1,107,451	1,055,078
274,764	181,649	(106,613)	(144,934)	107,998	235,570
25,440	23,462	22,976	22,206	21,819	24,264
—	—	—	—	—	—
—	—	—	—	—	—
877	—	—	38,188	4,290	3,547
—	—	—	—	—	—
(46,778)	(37,733)	(38,953)	(55,845)	(47,431)	(43,091)
—	—	—	—	—	—
(20,461)	(14,271)	(15,977)	4,549	(21,322)	(15,280)
254,303	167,378	(122,590)	(140,385)	86,676	220,290
$ 1,971,890	$ 729,819	$ (14,197)	$ 424,993	$ 928,082	$ 927,336

[4] From fiscal years 2003 to 2007 unemployment compensation expenses decreased, reflecting Utah's improved employment. However, beginning in fiscal year 2008 and continuing in fiscal year 2010, unemployment compensation expenses increased significantly as the economy continued to weaken at a faster pace than in prior years. In fiscal years 2011 and 2012, expenses decreased reflecting Utah's improving economy and employment.

[5] In fiscal year 2012, operating grants and contributions decreased significantly from the two prior years, primarily due to a decrease in federal programs funded in part by the *American Recovery and Reinvestment Act* in the Unemployment Compensation Fund and reductions of operating grants in loan related programs.

Fund Balances — Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting) (Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
General Fund				
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	$ —	$ —	$ —	$ —
Prepaid Items [1]	—	—	—	—
Inventories	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	0	0	0	0
All Other Governmental Funds				
Nonspendable:				
Inventories	$ —	$ —	$ —	$ —
Prepaid Items	—	—	—	—
Permanent Fund Principal	—	—	—	—
Restricted	—	—	—	—
Committed [2]	—	—	—	—
Assigned [3]	—	—	—	—
Total All Other Governmental Funds	0	0	0	0
Total Fund Balances — Governmental Funds	$ 0	$ 0	$ 0	$ 0
General Fund				
Reserved [4]	$ 230,980	$ 214,063	$ 262,360	$ 300,497
Unreserved [5]	156,016	271,890	391,619	568,639
Total General Fund	386,996	485,953	653,979	869,136
All Other Governmental Funds				
Reserved	878,603	831,812	1,048,146	1,287,525
Unreserved reported in:				
Special Revenue Funds	562,605	643,340	737,746	1,096,485
Capital Projects [6]	75,489	(15,380)	(71,127)	(93,248)
Debt Service	7,107	5,787	5,881	14,332
Total All Other Governmental Funds	1,523,804	1,465,559	1,720,646	2,305,094
Total Fund Balances — Governmental Funds	$ 1,910,800	$ 1,951,512	$ 2,374,625	$ 3,174,230

Notes: Beginning fiscal year 2010, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund balance has not been restated for prior years.

This schedule has been restated for prior period adjustments. Adjustments were made to the fiscal year and the preceding fiscal year in which the prior period adjustment was identified.

[1] In fiscal year 2012, the nonspendable fund balance within the general fund increased $23.5 million due to prepaid items identified in the current year.

[2] In fiscal year 2012, the committed fund balance within other governmental funds increased as a result of sales and use tax diversions for transportation projects.

[3] In fiscal year 2011, the assigned fund balance within other governmental funds increased as more funding was available for capital projects.

[4] In fiscal year 2009, general fund reserved fund balances decreased due to less reserves available as a result of the slowing economy.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ —	$ —	$ —	$ 2,861	$ 10,134	$ 13,537
—	—	—	—	—	23,450
—	—	—	411	538	662
—	—	—	35,171	31,523	39,745
—	—	—	371,354	445,540	489,487
—	—	—	222,963	212,002	159,082
—	—	—	14,884	609	11,342
0	0	0	647,644	700,346	737,305
$ —	$ —	$ —	$ 11,646	$ 10,523	$ 11,583
—	—	—	—	—	—
—	—	—	1,066,568	1,355,565	1,436,623
—	—	—	1,333,776	1,191,591	1,089,030
—	—	—	347,254	390,278	631,983
—	—	—	92,806	174,737	112,015
0	0	0	2,852,050	3,122,694	3,281,234
$ 0	$ 0	$ 0	$ 3,499,694	$ 3,823,040	$ 4,018,539
$ 411,600	$ 470,800	$ 305,224	$ —	$ —	$ —
667,972	394,068	327,467	—	—	—
1,079,572	864,868	632,691	0	0	0
1,558,607	1,867,469	1,892,734	—	—	—
1,473,424	975,035	807,356	—	—	—
(107,624)	57,027	(13,219)	—	—	—
17,801	20,801	5,210	—	—	—
2,942,208	2,920,332	2,692,081	0	0	0
$ 4,021,780	$ 3,785,200	$ 3,324,772	$ 0	$ 0	$ 0

[5] From fiscal years 2004 to 2007, general fund unreserved fund balances increased due to higher tax revenues from a strengthening economy. In fiscal years 2008 and 2009, general fund unreserved fund balances decreased as the State's economy slowed. Sales and use tax diversions along with reductions in the sales tax rate also contributed to the decrease in tax revenues in the general fund.

[6] From fiscal years 2004 to 2007, and again in fiscal year 2009, unreserved fund balance for capital projects reported a deficit balance as a result of outstanding encumbrances on various capital projects. Appropriations and bond proceeds available in subsequent fiscal years will fund these deficits.

Changes in Fund Balances — Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting) (Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Revenues				
Sales and Use Tax [1]	$ 1,481,823	$ 1,553,909	$ 1,699,636	$ 1,915,600
Individual Income Tax [1]	1,587,520	1,706,774	1,946,593	2,324,365
Corporate Tax [1]	161,129	165,893	209,304	379,624
Motor and Special Fuels Tax	321,370	327,838	336,417	344,902
Other Taxes	213,618	234,774	275,715	316,994
Federal Contracts and Grants [2]	2,049,922	2,295,428	2,366,786	2,524,022
Charges for Services/Royalties	244,527	286,879	330,998	405,013
Licenses, Permits, and Fees	101,529	103,635	121,382	113,684
Federal Mineral Lease	47,307	67,216	82,704	156,851
Federal Aeronautics	18,791	25,821	34,416	37,521
Intergovernmental	8,463	11,395	4,104	9,109
Investment Income [3]	34,626	69,314	71,538	116,215
Miscellaneous and Other	193,448	204,331	231,708	239,901
Total Revenues	6,464,073	7,053,207	7,711,301	8,883,801
Expenditures				
General Government	170,666	176,907	178,891	239,838
Human Services and Juvenile Justice Services	533,898	553,136	576,871	593,392
Corrections	179,115	188,951	198,030	205,310
Public Safety	125,517	150,353	163,072	179,622
Courts	98,784	102,302	107,807	114,111
Health and Environmental Quality [4]	1,175,092	1,342,903	1,461,618	1,634,619
Higher Education–State Administration	34,891	32,827	39,121	43,505
Higher Education–Colleges and Universities	597,477	614,922	637,087	675,267
Employment and Family Services	363,116	394,926	417,037	413,380
Natural Resources	134,247	121,461	123,195	140,592
Community and Culture	91,986	89,051	87,621	85,231
Business, Labor, and Agriculture	66,382	72,124	85,115	89,255
Public Education [5]	1,979,880	2,033,259	2,168,896	2,322,871
Transportation [6] [7]	756,634	811,088	832,285	799,265
Capital Outlay [8]	205,861	173,869	139,488	347,048
Debt Service — Principal Retirement	109,653	124,498	183,911	152,746
Debt Service — Interest and Other Charges	79,367	87,462	89,768	82,690
Total Expenditures	6,702,566	7,070,039	7,489,813	8,118,742
Revenues Over (Under) Expenditures	(238,493)	(16,832)	221,488	765,059
Other Financing Sources (Uses)				
General Obligation Bonds Issued [8]	278,705	—	140,635	—
Revenue Bonds Issued	—	16,377	18,430	—
Refunding Bonds Issued	381,800	319,230	22,066	—
Premium on Bonds Issued	87,756	35,729	12,039	—
Payment of Current Bond Refunding	(150,000)	(5,050)	—	—
Payment to Refunded Bond Escrow Agent	(279,369)	(349,244)	(23,212)	—
Capital Leases/Contracts Issued	—	11,498	—	—
Sale of Capital Assets	15,412	13,066	18,070	50,679
Transfers In	458,734	572,766	852,989	935,723
Transfers Out	(431,833)	(555,468)	(839,392)	(952,798)
Prior Period Adjustments and Restatements	—	(1,360)	—	942
Total Other Financing Sources (Uses)	361,205	57,544	201,625	34,546
Net Change in Fund Balances	$ 122,712	$ 40,712	$ 423,113	$ 799,605
Debt Service as a Percentage of Noncapital Expenditures	3.02 %	3.22 %	3.87 %	3.11 %

Notes: Legislative action created the Governor's Office of Economic Development in fiscal year 2006. This action moved activities from community and culture to general government.

This schedule has been restated for prior period adjustments. Adjustments were made to the fiscal year and the preceding fiscal year in which the prior period adjustment was identified.

[1] From fiscal years 2005 to 2007, tax revenues, specifically sales and use taxes, individual income taxes, and corporate taxes, increased significantly compared to prior years due to Utah's continued economic improvement. In fiscal year 2009, tax revenues decreased significantly as the economy slowed. Sales and use tax diversions along with a reduction in the sales tax rate also contributed to this decrease. In fiscal years 2011 and 2012, tax revenues increased due to a rebounding economy.

[2] In fiscal years 2009 and 2010, federal contracts and grants increased in part due to funding provided by the American Recovery and Reinvestment Act.

[3] In fiscal year 2009, the decrease in fair value in investments for the permanent fund created a negative revenue.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 2,109,732	$ 2,031,239	$ 1,761,224	$ 1,733,412	$ 1,812,011	$ 1,934,035
2,589,252	2,560,394	2,340,400	2,124,173	2,332,562	2,518,373
411,929	410,586	249,177	266,961	230,888	285,541
366,446	357,664	337,529	341,196	352,918	353,299
320,204	333,542	354,713	328,753	397,248	414,744
2,480,016	2,574,585	3,207,110	3,713,771	3,626,354	3,561,512
412,411	468,451	463,248	463,436	528,568	625,831
120,349	121,882	128,212	179,947	188,998	183,630
145,985	134,404	172,642	129,377	135,979	183,739
44,074	68,193	34,141	39,752	51,003	22,883
23,332	12,884	9,446	28,659	18,537	34,407
240,988	46,716	(132,523)	118,541	274,797	46,133
261,617	373,047	382,614	356,004	332,722	393,010
9,526,335	9,493,587	9,307,933	9,823,982	10,282,585	10,557,137
268,775	319,389	325,076	313,981	316,440	354,486
627,598	677,234	701,099	667,192	646,411	645,418
229,198	251,216	255,448	235,411	238,090	245,829
172,427	196,008	213,038	199,731	207,426	239,453
119,650	131,261	129,125	136,373	128,676	127,066
1,620,400	1,648,841	1,812,488	1,873,264	2,008,356	2,144,101
49,064	64,587	60,224	52,084	48,836	49,359
708,063	793,283	782,650	734,440	718,026	721,074
406,532	432,955	519,741	673,329	703,786	706,181
171,014	174,120	178,306	161,640	189,430	153,698
108,592	132,413	140,453	178,258	160,338	155,575
91,162	96,072	101,966	96,579	93,149	99,689
2,547,421	2,960,873	3,035,519	3,002,318	3,059,351	2,999,706
857,389	1,098,986	1,283,221	1,244,707	997,695	1,087,332
560,108	566,955	607,794	1,007,219	1,236,168	973,206
159,862	193,292	180,613	189,041	223,952	266,300
75,149	139,883	64,675	113,876	142,452	168,047
8,772,404	9,877,368	10,391,436	10,879,443	11,118,582	11,136,520
753,931	(383,781)	(1,083,503)	(1,055,461)	(835,997)	(579,383)
—	75,000	498,810	982,170	1,034,970	609,920
—	—	—	101,595	—	5,250
—	—	—	—	196,610	—
—	1,557	45,445	65,853	94,689	92,558
—	—	—	—	—	—
—	—	—	—	(234,873)	—
—	2,131	2,010	11,122	—	—
47,193	30,824	28,035	13,966	20,256	22,158
3,721,041	4,550,400	3,606,534	929,044	1,125,598	1,097,387
(3,674,615)	(4,512,711)	(3,557,759)	(873,367)	(1,077,907)	(1,052,391)
—	—	—	—	—	—
93,619	147,201	623,075	1,230,383	1,159,343	774,882
$ 847,550	$ (236,580)	$ (460,428)	$ 174,922	$ 323,346	$ 195,499
2.95 %	3.72 %	2.66 %	3.28 %	3.83 %	4.44 %

[4] Expenditures for health and environmental quality have increased over the last ten fiscal years due to rising Medicaid program costs.

[5] Public education expenditures continue to increase for both enrollment growth and benefit-related costs for educators.

[6] In fiscal year 2012, the Transportation Investment Fund was reclassified as a capital projects fund. Expenditures relating to this fund have been reclassified from Transportation expenditures to Capital Outlay beginning in fiscal year 2006, at the inception of the fund.

[7] Expenditures for Transportation increased in fiscal years 2007 to 2010 as existing fund balances and federal resources were used to address the State's transportation infrastructure needs.

[8] Expenditures for Capital Outlay increased in fiscal years 2010 to 2011 as additional funding through bond proceeds were used to address the State's transportation infrastructure needs.

State of Utah

Revenue Base

Last Ten Calendar Years

(Expressed in Thousands)

	Calendar Year			
	2002	**2003**	**2004**	**2005**
Taxable Sales, Services, and Use Tax Purchases [1]				
Agriculture, Forestry, and Fishing	$ 37,667	$ 41,251	$ 44,957	$ 69,102
Mining	157,344	141,246	195,448	284,634
Construction	315,095	305,795	368,876	512,075
Manufacturing	1,369,021	1,392,412	1,691,533	2,027,777
Transportation	96,434	89,823	128,218	171,898
Communications and Utilities	2,963,647	2,833,309	3,080,330	3,248,719
Wholesale Trade	3,099,989	3,105,001	3,611,473	4,265,754
Retail	19,049,964	19,559,540	21,013,848	22,897,441
Finance, Insurance, and Real Estate	457,361	390,057	355,012	384,754
Services	4,157,216	4,005,676	4,179,256	4,747,385
Public Administration	77,846	93,453	83,973	106,941
Prior Period Payments and Refunds	730,567	602,479	557,951	524,772
Total Taxable Sales, Services and Use Tax Purchases	$ 32,512,151	$ 32,560,042	$ 35,310,875	$ 39,241,252
State Sales Tax Rate	4.75 %	4.75 %	4.75 %	4.75 %
Personal Income by Industry				
Federal Civilian	$ 2,424,092	$ 2,492,786	$ 2,653,711	$ 2,828,004
Federal Military	629,657	774,489	822,440	916,809
State and Local Government	6,082,386	6,445,482	6,673,566	7,051,503
Forestry, Fishing, and Related Activities	43,010	47,103	52,897	52,739
Mining	496,049	506,149	619,763	742,685
Utilities	463,345	352,674	376,006	395,148
Construction	4,067,291	3,994,736	4,336,227	4,898,246
Manufacturing	5,498,653	5,878,018	6,199,153	6,515,083
Wholesale Trade	2,169,930	2,214,233	2,401,466	2,644,323
Retail Trade	3,830,801	4,014,382	4,319,308	4,547,285
Transportation and Warehousing	2,172,067	2,261,435	2,431,034	2,623,687
Information	1,549,854	1,585,367	1,671,777	1,877,289
Financial, Insurance, Real Estate, Rental, and Leasing	3,959,156	4,046,606	4,262,738	4,645,983
Services	15,455,411	15,711,546	16,939,639	18,166,572
Farm Earnings	197,208	225,678	317,046	286,894
Other [2]	10,834,273	10,934,160	11,375,826	13,337,726
Total Personal Income	$ 59,873,183	$ 61,484,844	$ 65,452,597	$ 71,529,976
Highest Income Tax Rate	7.00 %	7.00 %	7.00 %	7.00 %

Sources: Taxable Sales, Services, and Use Tax Purchases — Utah State Tax Commission;
Personal Income by Industry — U.S. Department of Commerce, Bureau of Economic Analysis and the Utah Department of Workforce Services

[1] Taxable Sales, Services, and Use Tax Purchases utilize American Industrial Classification codes starting in 2008. Prior to 2008 are based on Standard Industrial Classification codes.

[2] Other personal income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deduction for social insurance contributions.

Calendar Year					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
$ 75,432	$ 73,621	$ 10,822	$ 10,938	$ 12,747	$ 14,095
407,292	477,342	923,107	560,727	757,601	851,114
711,035	792,084	785,217	685,598	662,141	658,297
2,507,326	2,678,207	2,635,317	2,079,294	2,082,345	2,230,479
201,036	205,763	169,209	150,891	236,609	274,823
3,557,949	3,591,019	4,138,623	4,060,387	4,147,437	4,253,603
5,087,766	5,318,425	4,637,872	3,457,754	3,615,569	4,117,869
25,784,902	27,428,307	24,972,519	22,613,395	21,480,510	22,939,954
412,926	429,446	1,803,420	1,430,640	1,328,491	1,346,428
5,261,263	5,689,281	6,889,315	6,289,414	6,737,174	7,164,256
114,007	116,614	224,402	225,935	224,668	231,403
674,846	889,925	193,380	359,249	622,276	253,238
$ 44,795,780	$ 47,690,034	$ 47,383,203	$ 41,924,222	$ 41,907,568	$ 44,335,559
4.75 %	4.75 %	4.65 %	4.70 %	4.70 %	4.70 %
$ 3,000,038	$ 3,136,970	$ 3,138,234	$ 3,262,129	$ 3,427,143	$ 3,378,801
897,529	911,267	956,758	1,059,773	1,066,165	1,010,697
7,480,210	7,994,668	8,619,692	8,996,163	9,056,491	9,351,926
60,473	68,862	64,322	56,230	59,568	64,188
991,905	1,071,608	1,325,928	905,190	939,571	1,144,547
470,178	454,072	520,216	500,769	517,919	524,902
5,802,670	6,366,934	5,938,557	4,880,333	4,851,542	4,949,868
7,094,929	7,603,852	7,987,992	7,243,424	7,523,277	7,810,811
2,910,463	3,219,149	3,313,418	3,145,582	3,142,845	3,489,108
4,991,846	5,414,830	5,409,252	5,248,220	5,352,492	5,516,662
2,727,491	3,025,714	2,943,658	2,818,544	2,871,728	3,011,757
1,848,632	1,855,191	1,911,065	1,837,118	1,931,461	2,132,487
5,085,088	5,180,794	5,592,421	5,432,615	5,578,130	5,919,038
20,219,576	21,817,272	22,905,660	22,798,279	23,756,996	24,913,369
166,993	197,116	216,580	105,542	202,854	266,577
14,630,380	16,787,369	19,766,570	18,640,550	19,972,051	21,709,676
$ 78,378,401	$ 85,105,668	$ 90,610,323	$ 86,930,461	$ 90,250,233	$ 95,194,414
6.98 %	6.98 %	5.00 %	5.00 %	5.00 %	5.00 %

Revenue Payers by Industry — Taxable Sales, Services, and Use Tax Purchases

Schedule B–2

Most Current Calendar Year and Historical Comparison

(Expressed in Thousands)

	Calendar Year 2002		Calendar Year 2011	
	Taxable Sales and Purchases	**Percent of Total**	**Taxable Sales and Purchases**	**Percent of Total**
Agriculture, Forestry, and Fishing	$ 37,667	0.1 %	$ 14,095	0.0 %
Mining	157,344	0.5 %	851,114	1.9 %
Construction	315,095	1.0 %	658,297	1.5 %
Manufacturing	1,369,021	4.2 %	2,230,479	5.0 %
Transportation	96,434	0.3 %	274,823	0.6 %
Communications and Utilities	2,963,647	9.1 %	4,253,603	9.6 %
Wholesale Trade	3,099,989	9.5 %	4,117,869	9.3 %
Retail	19,049,964	58.7 %	22,939,954	51.8 %
Finance, Insurance, and Real Estate	457,361	1.4 %	1,346,428	3.0 %
Services	4,157,216	12.8 %	7,164,256	16.2 %
Public Administration	77,846	0.2 %	231,403	0.5 %
Prior Period Payments, Refunds	730,567	2.2 %	253,238	0.6 %
Total Taxable Sales, Services, and Use Tax Purchases	$ 32,512,151	100.0 %	$ 44,335,559	100.0 %
State Sales Tax Rates	4.75 % except 2.00 % for Communications and Utilities		4.70 % except 2.00 % for Communications and Utilities	

Source: Utah State Tax Commission

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period available for taxable sales, services, and use tax purchases is calendar year 2011.

Revenue Payers — Personal Income Tax

Schedule B–3

Most Current Calendar Year and Historical Comparison

(Dollars Expressed in Thousands)

	Calendar Year 2001				Calendar Year 2010			
	Number of Filers	**Percent of Total**	**Tax Liability**	**Percent of Total**	**Number of Filers**	**Percent of Total**	**Tax Liability**	**Percent of Total**
Adjusted Gross Income Class								
$10,000 and under	183,899	20.7 %	$ 4,351	0.3 %	159,947	15.4 %	$ (12)	0.0 %
$10,001–20,000	153,587	17.2 %	36,924	2.5 %	160,700	15.5 %	20,899	1.0 %
$20,001–30,000	123,864	13.9 %	77,076	5.2 %	138,390	13.4 %	58,896	2.8 %
$30,001–40,000	96,495	10.8 %	104,031	7.0 %	108,908	10.5 %	92,709	4.5 %
$40,001–50,000	79,700	9.0 %	125,574	8.5 %	87,108	8.4 %	116,366	5.6 %
$50,001–75,000	133,785	15.0 %	326,363	22.0 %	161,929	15.7 %	355,794	17.2 %
$75,001–100,000	61,659	6.9 %	230,335	15.5 %	99,980	9.6 %	344,293	16.6 %
$100,001–250,000	49,632	5.6 %	321,297	21.7 %	104,690	10.1 %	644,090	31.2 %
Over $250,000	7,866	0.9 %	256,226	17.3 %	14,625	1.4 %	435,837	21.1 %
Total	890,487	100.0 %	$ 1,482,177	100.0 %	1,036,277	100.0 %	$ 2,068,872	100.0 %

Source: Utah State Tax Commission, for full-year residents only.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period available for personal income tax information is calendar year 2010.

Personal Income Tax Rates

Schedule B–4

Last Ten Calendar Years

	Calendar Year		
	2002 to 2005	**2006 to 2007** [1] [2]	**2008 to 2011** [3]
	Single and Married Filing Separately		
Tax Rate	2.30 %	2.30 %	—
Taxable Income Levels ..	$0–863	$0–1,000	—
Tax Rate	3.30 %	3.30 %	—
Taxable Income Levels ..	$864–1,726	$1,001–2,000	—
Tax Rate	4.20 %	4.20 %	—
Taxable Income Levels ..	$1,727–2,588	$2,001–3,000	—
Tax Rate	5.20 %	5.20 %	—
Taxable Income Levels ..	$2,589–3,450	$3,001–4,000	—
Tax Rate	6.00 %	6.00 %	—
Taxable Income Levels ..	$3,451–4,313	$4,001–5,500	—
Tax Rate	7.00 %	6.98 %	—
Taxable Income Levels ..	Over $4,313	Over $5,500	—
Flat Tax Rate	—	5.35 %	5.00 %
	Married Filing Joint, Head of Household, and Qualifying Widow(er)		
Tax Rate	2.30 %	2.30 %	—
Taxable Income Levels ..	$0–1,726	$0–2,000	—
Tax Rate	3.30 %	3.30 %	—
Taxable Income Levels ..	$1,727–3,450	$2,001–4,000	—
Tax Rate	4.20 %	4.20 %	—
Taxable Income Levels ..	$3,451–5,176	$4,001–6,000	—
Tax Rate	5.20 %	5.20 %	—
Taxable Income Levels ..	$5,177–6,900	$6,001–8,000	—
Tax Rate	6.00 %	6.00 %	—
Taxable Income Levels ..	$6,901–8,626	$8,001–11,000	—
Tax Rate	7.00 %	6.98 %	—
Taxable Income Levels ..	Over $8,626	Over $11,000	—
Flat Tax Rate	—	5.35 %	5.00 %

Source: Utah State Tax Commission

Note: The Utah State Legislature can raise the income tax rates by legislation, no vote of the populace is required; *Utah Constitution* , Article XIII, Section 5.

[1] The Legislature increased income levels and lowered the maximum tax rate effective for calendar year 2006.

[2] The Legislature passed an option for the taxpayer to use the single rate of 5.35% or the tax tables for calendar year 2007.

[3] The Legislature passed a single tax rate for all taxpayers beginning with calendar year 2008.

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Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(Expressed in Millions)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Governmental Activities				
General Obligation Bonds	$ 1,714	$ 1,589	$ 1,588	$ 1,437
State Building Ownership Authority Lease Revenue Bonds	335	339	312	296
Capital Leases	13	23	21	20
Contacts/Notes Payable	—	—	8	8
Total Governmental Activities	2,062	1,951	1,929	1,761
Business-type Activities				
Student Assistance Revenue Bonds	1,311	1,398	1,545	2,138
State Building Ownership Authority Lease Revenue Bonds	23	24	31	38
Water Loan Recapitalization Revenue Bonds	3	1	—	—
Contacts/Notes Payable	—	—	—	—
Total Business-type Activities	1,337	1,423	1,576	2,176
Total Primary Government [1]	$ 3,399	$ 3,374	$ 3,505	$ 3,937
Debt as a Percentage of Personal Income [1]	5.72 %	5.31 %	5.03 %	5.21 %
Amount of Debt Per Capita (expressed in dollars)	$ 1,408	$ 1,367	$ 1,376	$ 1,506
Net General Obligation Bonded Debt				
General Obligation Bonds	$ 1,714	$ 1,589	$ 1,588	$ 1,437
Net General Obligation Bonded Debt as a Percentage of Taxable Property Value [2]	1.37 %	1.23 %	1.17 %	0.99 %
Amount of Net General Obligation Bonded Debt Per Capita (expressed in dollars) [1]	$ 710	$ 644	$ 623	$ 550

Sources: Utah State Administrative Services, Division of Finance; Utah State Tax Commission – Property Tax; and Utah Governor's Office of Planning and Budget – Demographics.

Note: Debt includes principal, premiums, discounts, and deferred amounts on refundings.

[1] Ratios are calculated using personal income and population data. See Schedule D–1 for personal income and population data. During 2010 to 2012, the State issued just under $1 billion in General Obligation bonds to take advantage of historically low interest rates and ease budget constraints for highway and building construction projects.

[2] The percentage of Net General Obligation Bonded Debt based upon taxable property value is presented for comparative purposes. The State does not presently levy ad valorem property taxes for General Obligation Bonded Debt, but is authorized to do so in accordance with Title 59, Chapter 2, Part 901 of the *Utah Code* . See Schedule C–3 for taxable property value.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 1,284	$ 1,198	$ 1,563	$ 2,410	$ 3,256	$ 3,660
275	162	149	239	223	213
18	19	19	28	26	24
7	1	1	—	—	—
1,584	1,380	1,732	2,677	3,505	3,897
2,138	2,165	2,235	1,389	1,243	970
37	51	75	98	95	90
—	—	—	68	67	62
—	—	297	811	648	552
2,175	2,216	2,607	2,366	2,053	1,674
$ 3,759	$ 3,596	$ 4,339	$ 5,043	$ 5,558	$ 5,571
4.44 %	4.04 %	4.93 %	5.59 %	5.89 %	5.60 %
$ 1,392	$ 1,304	$ 1,586	$ 1,817	$ 1,975	$ 1,950
$ 1,284	$ 1,198	$ 1,563	$ 2,410	$ 3,256	$ 3,660
0.76 %	0.59 %	0.70 %	1.13 %	1.59 %	1.82 %
$ 476	$ 434	$ 571	$ 868	$ 1,157	$ 1,281

Other Long-Term Liabilities
Last Ten Fiscal Years

(Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Governmental Activities				
General Obligation Bonds [1]	$ 1,623,680	$ 1,510,160	$ 1,514,510	$ 1,377,390
State Building Ownership Authority Lease Revenue Bonds	331,537	335,941	308,898	293,226
Net Unamortized Premiums	107,435	108,594	101,395	83,347
Deferred Amounts on Refunding	(14,038)	(26,966)	(25,361)	(21,546)
Capital Leases	12,846	22,902	20,931	19,644
Contracts/Notes Payable [2]	—	—	8,527	7,936
Compensated Absences [3]	134,746	139,594	140,029	148,762
Postemployment Benefits [4]	216,442	240,538	—	—
Claims	43,659	40,423	44,673	46,725
Pollution Remediation Obligation [2]	—	—	—	—
Arbitrage Liability	103	—	—	—
Net Other Post Employment Benefit Obligation	—	—	—	—
Settlement Obligations	—	—	—	—
Total Governmental Activities	2,456,410	2,371,186	2,113,602	1,955,484
Business-type Activities				
Student Assistance Revenue Bonds [5]	1,310,965	1,397,460	1,544,830	2,138,085
State Building Ownership Authority Lease Revenue Bonds	22,341	23,330	30,672	37,814
Water Loan Recapitalization Revenue Bonds	2,640	1,060	—	—
Net Unamortized Premiums	265	237	1,061	988
Deferred Amounts on Refunding	—	—	(464)	(415)
Contracts/Notes Payable [6]	—	—	—	—
Claims and Uninsured Liabilities	—	5,201	6,025	4,960
Arbitrage Liability	52,884	61,766	66,411	67,845
Total Business-type Activities	1,389,095	1,489,054	1,648,535	2,249,277
Total Primary Government Other Long-term Liabilities	$ 3,845,505	$ 3,860,240	$ 3,762,137	$ 4,204,761

Note: Details regarding the liabilities listed above can be found in Note 10. Long-term Liabilities in the financial statements.

[1] Beginning in 2010, the State elected to issue bonds for highway and building construction projects to take advantage of historically low interest rates and ease budget constraints.

[2] Beginning in 2008 the Pollution Remediation Obligation is no longer reported in the financial statements as part of Contracts Payable under Governmental Activities. This obligation is now being reported as Pollution Remediation Obligation per the implementation of Governmental Accounting Standards Board (GASB) Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

[3] During 2009, a new evaluation was performed in accordance with Governmental Accounting Standards Board (GASB) Statement 16, *Accounting for Compensated Absences* and as a result the total liability decreased.

[4] Beginning in 2005 the Postemployment Benefits liability is no longer reported in the financial statements in preparation for the implementation of Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.*

[5] During 2012, the Student Assistance Programs advance refunded certain outstanding student loan revenue bonds to manage its interest costs.

[6] During 2010, the Student Assistance Programs began participating in the U.S. Department of Education Loan Participation Purchase Program. The program was created to assist lenders in obtaining financing for student loans during 2008–2010 academic years.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 1,237,170	$ 1,161,510	$ 1,492,620	$ 2,299,300	$ 3,128,890	$ 3,487,680
273,538	161,614	148,654	236,629	220,380	210,384
66,581	51,011	80,962	119,694	162,003	200,979
(17,732)	(13,621)	(10,151)	(7,080)	(31,904)	(26,248)
18,228	18,769	19,210	27,542	25,799	24,270
6,941	559	512	484	466	446
185,630	186,581	162,689	162,120	182,543	185,701
—	—	—	—	—	—
44,755	41,285	43,650	41,897	42,731	44,700
—	7,842	7,687	7,690	7,083	6,640
109	—	—	—	—	—
—	—	3,918	5,693	7,142	5,439
—	—	—	39,422	38,926	34,007
1,815,220	1,615,550	1,949,751	2,933,391	3,784,059	4,173,998
2,137,655	2,165,180	2,235,322	1,388,922	1,218,390	930,422
36,552	50,246	73,676	96,476	92,445	88,161
—	—	—	65,800	65,800	61,205
879	1,117	1,491	4,093	29,092	16,917
(365)	(318)	(267)	(221)	(994)	25,445
—	—	297,381	811,354	647,842	552,423
4,678	5,786	14,941	19,105	16,179	17,866
72,487	65,945	57,782	50,214	11,968	10,000
2,251,886	2,287,956	2,680,326	2,435,743	2,080,722	1,702,439
$ 4,067,106	$ 3,903,506	$ 4,630,077	$ 5,369,134	$ 5,864,781	$ 5,876,437

Legal Debt Margin
Last Ten Fiscal Years

(Expressed in Millions)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Taxable Property, Taxable Value [1]	$ 125,437	$ 129,345	$ 135,827	$ 144,519
Taxable Property, Fair Market Value [1]	$ 170,776	$ 176,541	$ 185,620	$ 198,983
Debt Limit (Fair Market Value times 1.5%)	1.50%	1.50%	1.50%	1.50%
Debt Limit Amount	2,562	2,648	2,784	2,985
Net General Obligation Bonded Debt [2]	1,714	1,589	1,588	1,437
Legal Debt Margin	$ 848	$ 1,059	$ 1,196	$ 1,548
Net General Obligation Bonded Debt As a Percentage of the Debt Limit Amount	66.90 %	60.01 %	57.04 %	48.14 %

Source: Utah State Tax Commission.

Note: Article XIV, Section 5 of the *Utah Constitution* authorizes general obligation debt for purposes as authorized by the Legislature. Section 1 of the Article limits outstanding state general obligation debt to 1.5 percent of the fair market value of the taxable property in the State. Net General Obligation Bonded Debt includes premiums, discounts, and deferred amounts on refundings.

[1] Taxable property is assessed January 1 of each year. The value used for the fiscal year limitation is from the prior calendar year; assessed values as of January 1, 2011, are used for fiscal year 2012.

[2] During 2010 and 2011, the State issued General Obligation bonds to take advantage of low interest rates and ease budget constraints.

Statutory Debt Limit
Last Ten Fiscal Years

(Expressed in Thousands)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Appropriations Limitation Amount	$ 4,150,684	$ 1,856,205	$ 1,956,584	$ 2,099,609
Limit (Appropriations Limitation Amount times applicable percentage) [1]	20.00%	45.00%	45.00%	45.00%
Statutory Debt Limit Amount	830,137	835,292	880,463	944,824
Net General Obligation Bonded Debt	1,713,755	1,588,810	1,587,804	1,436,845
Less: Exempt Highway Construction Bonds	(1,020,049)	(980,811)	(957,093)	(877,979)
Net General Obligation Bonded Debt Subject to Statutory Debt Limit	693,706	607,999	630,711	558,866
Additional General Obligation Debt Incurring Capacity	$ 136,431	$ 227,293	$ 249,752	$ 385,958

Source: Utah State Administrative Services, Division of Finance.

Note: Article XIV, Section 5 of the *Utah Constitution* authorizes general obligation debt for purposes as authorized by the Legislature. In addition, Title 63J-3-402 of the *Utah Code* limits outstanding state general obligation debt to not exceed the applicable percentage (unless approved by more than two-thirds of both houses of the Legislature) of that fiscal year's appropriations limit. Net General Obligation Bonded Debt includes premiums, discounts, and deferred amounts on refundings.

[1] The 2004 Legislature made changes to the calculation of the appropriations limit which also necessitated changing the applicable percentage from 20 to 45 percent, effective for fiscal year 2004.

Schedule C–3

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 168,812	$ 201,774	$ 224,689	$ 212,423	$ 205,284	$ 201,473
$ 233,013	$ 282,176	$ 311,525	$ 291,460	$ 280,846	$ 274,806
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3,495	4,233	4,673	4,372	4,213	4,122
1,284	1,198	1,563	2,410	3,256	3,660
$ 2,211	$ 3,035	$ 3,110	$ 1,962	$ 957	$ 462
36.74 %	28.30 %	33.45 %	55.12 %	77.28 %	88.79 %

Schedule C–4

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 2,276,693	$ 2,477,629	$ 2,515,576	$ 2,657,135	$ 2,849,469	$ 3,033,826
45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
1,024,512	1,114,933	1,132,009	1,195,711	1,282,261	1,365,222
1,284,023	1,198,172	1,562,815	2,409,939	3,256,114	3,660,089
(790,567)	(763,583)	(1,079,270)	(1,860,685)	(2,698,330)	(3,131,784)
493,456	434,589	483,545	549,254	557,784	528,305
$ 531,056	$ 680,344	$ 648,464	$ 646,457	$ 724,477	$ 836,917

Pledged Revenue Bond Coverage — Schedule C–5

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Gross Revenues [1]	Less Operating Expenses [2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage [3]
Water Loan Programs [4]						
2012	$ 13,710	$ 16,974 [5]	$ (3,264)	$ 4,595	$ 2,371	(0.47)
2011	$ 10,584	$ 35,939	$ (25,355)	$ —	$ 2,424	(10.46)
2010	$ 13,875	$ 31,213	$ (17,338)	$ —	$ 862	(20.11)
2009	$ —	$ —	$ —	$ —	$ —	—
2008	$ —	$ —	$ —	$ —	$ —	—
2007	$ —	$ —	$ —	$ —	$ —	—
2006	$ —	$ —	$ —	$ —	$ —	—
2005	$ 9,796	$ 8,611	$ 1,185	$ 1,060	$ 37	1.08
2004	$ 9,160	$ 6,613	$ 2,547	$ 1,580	$ 117	1.50
2003	$ 8,975	$ 6,873	$ 2,102	$ 1,495	$ 201	1.24
Student Assistance Programs [6]						
2012	$ 25,404	$ 14,904	$ 10,500	$ 797,350	$ 10,620	0.01
2011	$ 27,188	$ (20,137) [7]	$ 47,325	$ 557,894	$ 20,655	0.08
2010	$ 70,616	$ 42,470	$ 28,146	$ 966,668	$ 35,967	0.03
2009	$ 84,465	$ 25,658	$ 58,807	$ 121,358	$ 62,839	0.32
2008	$ 129,255	$ 19,682	$ 109,573	$ 72,145	$ 98,154	0.64
2007	$ 146,108	$ 33,211	$ 112,897	$ 430	$ 97,729	1.15
2006	$ 118,044	$ 37,810	$ 80,234	$ 40,420	$ 64,807	0.76
2005	$ 83,093	$ 31,944	$ 51,149	$ 3,710	$ 33,404	1.38
2004	$ 67,550	$ 35,645	$ 31,905	$ 43,640	$ 18,797	0.51
2003	$ 69,561	$ 41,346	$ 28,215	$ 36,110	$ 23,507	0.47

Note: Details regarding the State's outstanding bonds can be found in Note 10. Long-term Liabilities in the financial statements.

[1] Revenues for Water Loan Programs are primarily interest on revolving loan receivables. Revenues for Student Assistance Programs are primarily interest on student loans and federal allowances.

[2] Operating Expenses do not include interest, depreciation, or amortization expenses.

[3] Coverage equals net available revenue divided by debt service.

[4] Between years 2006 and 2009, the State did not issue any water loan recapitalization bonds. Current year revenues were insufficient to cover program expenses for fiscal years 2010, 2011, and 2012.

[5] The total amount of grants issued were significantly less than in prior years.

[6] Only the Student Loan Purchase Program bonds are presented.

[7] During 2011, the Student Assistance Programs had a substantial decrease in its provision for interest arbitrage rebate of $37.2 million on its 1988 and 1993 revenue bonds.

Demographic and Economic Indicators

Schedule D–1

Last Ten Calendar Years

Calendar Year	Population (in Thousands) Utah Number	Utah Change	U.S. Number	U.S. Change	Unemployment Rate Utah	U.S.	Utah Net Migration
2003	2,414	2.4 %	290,796	0.9 %	5.7 %	6.0 %	18,568
2004	2,469	2.3 %	293,638	1.0 %	5.0 %	5.5 %	18,367
2005	2,547	3.2 %	296,507	1.0 %	4.2 %	5.1 %	40,647
2006	2,615	2.7 %	299,200	0.9 %	3.0 %	4.6 %	28,730
2007	2,700	3.3 %	302,040	0.9 %	2.7 %	4.6 %	44,252
2008	2,758	2.1 %	304,992	1.0 %	3.7 %	5.8 %	16,648
2009	2,735	(0.8) %	307,800	0.9 %	7.1 %	9.3 %	3,700
2010	2,775	1.5 %	310,100	0.7 %	8.0 %	9.6 %	4,500
2011	2,814	1.4 %	312,400	0.7 %	6.7 %	9.0 %	2,300
2012 (est.)	2,857	1.5 %	315,300	0.9 %	5.9 %	8.2 %	5,000

Calendar Year	Personal Income (in Millions) Utah Amount	Utah Change	U.S. Amount	U.S. Change	Per Capita Income (in Dollars) Utah Amount	Utah Change	U.S. Amount	U.S. Change
2003	$ 59,412	2.1 %	$ 9,163,600	3.2 %	$ 24,611	(0.2)%	$ 31,512	2.2 %
2004	$ 63,565	7.0 %	$ 9,727,200	6.2 %	$ 25,745	4.6 %	$ 33,127	5.1 %
2005	$ 69,744	9.7 %	$ 10,269,750	5.6 %	$ 27,383	6.4 %	$ 34,636	4.6 %
2006	$ 75,598	8.4 %	$ 10,993,900	7.1 %	$ 28,909	5.6 %	$ 36,744	6.1 %
2007	$ 84,709	12.1 %	$ 11,894,000	8.2 %	$ 31,374	8.5 %	$ 39,379	7.2 %
2008	$ 88,902	4.9 %	$ 12,391,000	4.2 %	$ 32,234	2.7 %	$ 40,627	3.2 %
2009	$ 87,947	(1.1)%	$ 11,930,000	(3.7)%	$ 32,156	(0.2)%	$ 38,759	(4.6)%
2010	$ 90,250	2.6 %	$ 12,322,000	3.3 %	$ 32,523	1.1 %	$ 39,736	2.5 %
2011	$ 94,401	4.6 %	$ 12,947,000	5.1 %	$ 33,547	3.1 %	$ 41,444	4.3 %
2012 (est.)	$ 99,404	5.3 %	$ 13,399,000	3.5 %	$ 34,793	3.7 %	$ 42,496	2.5 %

Source: Population—Utah Population Estimates Committee at July 1 each year. The 2012 estimate is from the Utah Revenue Assumption Committee.

Source: Unemployment Rate—Utah Department of Workforce Services. The 2012 estimate is from the Utah Revenue Assumption Committee.

Source: Utah Net Migration—Utah Population Estimates Committee at July 1 each year. The 2012 estimate is from the Utah Revenue Assumption Committee.

Source: Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis, and Utah Department of Workforce Services. The 2012 estimate is from the Utah Revenue Assumption Committee.

Note: Per Capita Income is calculated by dividing total personal income by population. Amounts may not be exact due to rounding.

State of Utah

Principal Employers

Schedule D–2

Most Current Calendar Year and Historical Comparison

	Calendar Year 2002			Calendar Year 2011		
Entity Name	**Number of Employees**	**Rank**	**Percent of All Employees**	**Number of Employees**	**Rank**	**Percent of All Employees**
Intermountain Health Care (IHC)	20,000 +	1	2.1 %	20,000 +	1	2.6 %
University of Utah (includes Hospital)	15,000 – 19,999	3	1.6 %	20,000 +	2	1.8 %
State of Utah	20,000 +	2	2.0 %	20,000 +	3	1.7 %
Brigham Young University	15,000 – 19,999	4	1.5 %	15,000 – 19,999	4	1.6 %
Wal-Mart Stores	7,000 – 9,999	6	0.9 %	15,000 – 19,999	5	1.5 %
Hill Air Force Base	10,000 – 14,999	5	1.1 %	10,000 – 14,999	6	1.0 %
Granite School District	7,000 – 9,999	7	0.8 %	7,000 – 9,999	7	0.8 %
Utah State University				7,000 – 9,999	8	0.8 %
Davis County School District				7,000 – 9,999	9	0.7 %
Smith's Food and Drug Center	5,000 – 6,999	10	0.4 %	5,000 – 6,999	10	0.6 %
Jordan School District	7,000 – 9,999	8	0.8 %			
Convergys	7,000 – 9,999	9	0.7 %			
Total Employees of Principal Employers	133,000		11.9 %	164,000		13.1 %

Source: Utah Department of Workforce Services.

Note: Number of employees is based on a calendar year average.

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Composition of Labor Force
Last Ten Calendar Years

	Calendar Year			
	2002	**2003**	**2004**	**2005**
Nonagricultural Jobs				
Government	195,246	196,537	198,877	202,307
Mining	6,880	6,670	7,083	8,473
Construction	67,838	67,599	72,631	81,685
Manufacturing	113,873	112,291	114,765	117,246
Trade, Transportation, and Utilities	216,032	213,970	219,212	225,938
Information	31,004	30,016	30,272	32,105
Financial Activity	63,352	64,674	65,040	67,583
Professional and Business Services	131,912	131,910	138,220	146,704
Education and Health Services	113,696	118,379	123,282	128,605
Leisure and Hospitality	100,943	99,634	102,031	104,223
Other Services	32,970	32,451	32,915	33,451
Total Nonagricultural Jobs	1,073,746	1,074,131	1,104,328	1,148,320
Civilian Labor Force	1,181,691	1,207,436	1,237,055	1,276,378
Total Employed	1,113,645	1,139,129	1,174,797	1,223,248
Unemployed	68,046	68,307	62,258	53,130
Unemployment Rate	5.8 %	5.7 %	5.0 %	4.2 %

Source: Utah Department of Workforce Services and the Utah Revenue Assumption Committee.

Calendar Year					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
204,483	206,868	211,710	214,679	216,828	220,772
10,024	11,034	12,506	10,694	10,442	11,659
95,164	103,450	90,469	70,492	65,223	65,166
123,064	127,695	125,852	112,879	111,075	113,684
234,797	245,672	247,978	234,098	229,108	233,251
32,541	32,448	30,747	29,570	29,276	29,495
71,469	74,739	74,050	71,092	67,981	68,391
154,834	161,022	162,194	149,532	152,335	159,420
134,410	139,991	146,617	150,866	155,001	159,210
108,477	112,821	114,813	110,859	110,662	113,512
34,651	35,542	35,534	34,028	33,625	34,090
1,203,914	1,251,282	1,252,470	1,188,789	1,181,556	1,208,650
1,318,473	1,356,550	1,368,182	1,383,202	1,371,148	1,338,259
1,279,453	1,319,784	1,317,082	1,285,134	1,262,083	1,248,197
39,020	36,766	51,100	98,068	109,065	90,062
3.0 %	2.7 %	3.7 %	7.1 %	8.0 %	6.7 %

Public Education Student Enrollment (K–12)

Last Ten Academic Years

	Academic Year			
	2002–03	**2003–04**	**2004–05**	**2005–06**
Elementary	262,168	266,666	273,163	283,972
Secondary	218,975	220,272	222,519	226,040
Total All Grades	481,143	486,938	495,682	510,012

Source: State of Utah Office of Education

Note: Public Education Student Enrollment count is based on October 1st counts.

Public Higher Education Enrollment

Last Ten Academic Years

	Academic Year			
	2003–04	**2004–05**	**2005–06**	**2006–07**
University of Utah	29,936	30,479	30,558	30,511
Utah State University [1]	23,474	23,908	23,107	23,623
Weber State University	19,167	18,875	18,334	18,642
Southern Utah University	6,048	6,672	6,859	7,029
Salt Lake Community College	24,154	25,711	25,551	25,129
Utah Valley University	23,803	24,149	24,487	23,305
Dixie State College of Utah [2]	7,682	8,564	9,114	5,967
College of Eastern Utah	2,692	2,471	2,179	2,220
Snow College	4,036	4,108	4,113	4,179
Utah College of Applied Technology	35,549	25,817	25,199	19,389
Total All Institutions	176,541	170,754	169,501	159,994

Source: Utah State Board of Regents

Note: Utah Higher Education Enrollment count is based on fall semester third week headcounts.

[1] Includes USU-Eastern (formerly College of Eastern Utah) beginning in 2011-12.

[2] Dixie State College of Utah included summer term headcounts for academic years prior to 2006–07.

Schedule D–4

Academic Year					
2006–07	**2007–08**	**2008–09**	**2009–10**	**2010–11**	**2011–12**
294,202	303,807	314,676	322,704	329,111	334,110
229,801	233,846	236,694	240,569	247,134	253,635
524,003	537,653	551,370	563,273	576,245	587,745

Schedule D–5

Academic Year					
2007–08	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**
29,797	30,228	31,407	30,833	31,673	32,398
24,421	23,925	25,065	25,767	28,994	28,786
18,306	21,674	23,331	24,126	25,483	26,680
7,057	7,516	8,066	8,024	7,750	8,297
25,144	29,866	33,774	33,983	33,167	30,112
23,840	26,696	28,765	32,670	33,395	31,556
5,944	6,443	7,911	8,755	9,086	8,863
2,444	2,082	2,173	2,634	—	—
3,745	3,798	4,368	4,386	4,465	4,599
19,595	20,321	18,831	18,476	15,536	15,418
160,293	172,549	183,691	189,654	189,549	186,709

Full-Time Equivalent State Employees by Function
Last Ten Fiscal Years

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
General Government				
Government Operations [1]	1,297	1,295	1,292	1,345
Tax Commission	835	846	844	852
All Other	144	127	132	147
Human Services and Juvenile Justice Services	4,543	4,630	4,697	4,644
Corrections	2,159	2,228	2,234	2,319
Public Safety				
Department of Public Safety	1,166	1,211	1,182	1,159
Utah National Guard	227	252	245	247
State Courts	1,053	1,056	1,073	1,077
Health and Environmental Quality				
Department of Health	1,207	1,271	1,289	1,295
Department of Environmental Quality	408	397	403	406
Employment and Family Services	1,889	1,993	1,999	1,931
Natural Resources	1,215	1,266	1,273	1,319
Community and Culture [1]	267	262	251	188
Business, Labor, and Agriculture	701	703	712	716
Education				
Public Education Support	1,055	1,088	1,129	1,176
Higher Education Support	147	154	177	200
Transportation	1,871	1,829	1,762	1,768
Total Full-time Equivalent State Employees	20,184	20,608	20,694	20,789

Source: Utah State Administrative Services, Division of Finance

[1] In fiscal year 2006, the Legislative action created the Governor's Office of Economic Development; this action shifted employees from community and culture to the government operations function.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
2,074	2,114	2,084	2,018	1,976	2,024
764	777	763	723	719	716
152	157	154	157	152	159
4,521	4,546	4,464	4,155	3,935	3,907
2,316	2,377	2,439	2,271	2,243	2,244
1,151	1,153	1,202	1,218	1,241	1,275
246	237	239	196	214	226
1,077	1,112	1,096	1,068	1,042	1,038
1,231	991	988	950	937	923
382	385	383	384	376	372
1,729	2,030	2,062	2,066	2,041	1,912
1,304	1,330	1,361	1,350	1,361	1,302
187	188	191	193	190	169
706	722	715	691	686	701
1,159	1,168	1,178	1,170	1,137	1,094
230	223	205	171	195	204
1,691	1,716	1,685	1,637	1,612	1,604
20,920	21,226	21,209	20,418	20,057	19,870

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
General Government				
Government Operations				
Construction Projects Managed	886	844	782	828
Tax Commission				
Percent of Data Managed Electronically	33.5 %	42.1 %	48.3 %	54.4 %
Number of Returns Filed Electronically	325,077	409,249	482,443	565,851
Motor Vehicle Registrations (in thousands)	2,524	2,657	2,732	2,818
Human Services and Juvenile Justice Services				
Food Stamp Recipients [1]	186,074	211,480	225,685	230,288
Percent of Population	7.7 %	8.6 %	8.9 %	8.8 %
Juveniles, Daily Average in Justice System Placement	1,208	1,203	1,239	1,128
Rate of Recommitment to Juvenile Custody	10.3 %	9.4 %	7.3 %	9.5 %
Corrections				
Incarcerated Offenders [1]	5,687	5,875	6,148	6,325
Supervised Offenders [1]	11,514	11,519	11,798	12,158
Utah Incarceration Rate (per 100,000 population)	240	246	240	240
US Incarceration Rate (per 100,000 population)	482	486	488	497
State Courts [2]				
State Court Filings	313,340	294,376	300,049	283,724
State Court Dispositions	323,235	317,015	339,664	263,703
Health				
Children's Health Insurance Program Enrollment	24,854	28,443	28,924	35,259
Medicaid Eligible (unduplicated)	249,745	276,813	286,983	287,559
Percent of Population	10.3 %	11.2 %	11.3 %	11.0 %
Employment and Family Services				
Individuals Registered for Employment	259,914	256,934	266,105	250,855
Percent Who Entered Employment	62 %	61 %	66 %	70 %
Natural Resources				
Hatchery Fish, Pounds Raised	887,546	930,071	893,497	1,062,512
Hunting and Fishing Licenses Sold (in thousands) [1] [3]	360,285	366,256	366,341	415,066
State Park Visitations (in thousands)	4,573	4,414	4,299	4,532
Business, Labor, and Agriculture				
Department of Commerce				
Licenses and Registrations Issued [4]	250,295	257,140	262,216	291,162
Department of Agriculture and Food				
Dairy Farm Inspections	1,145	1,087	1,089	1,054
Pounds of Turkey Inspected and Graded (in thousands)	88,780	69,371	92,650	88,544
Gas Pumps and Scales Inspected	23,913	22,510	37,892	26,394
Higher Education				
Number of Certificates and Degrees Awarded	25,999	30,801	30,093	30,463
Transportation				
Percent of Roads Which are Deficient (see page 135) [1]	6.4 %	6.2 %	6.3 %	11.3 %
Vehicles Weighed or Inspected (in thousands)	5,462	5,456	5,528	5,796

Source: Various departments of the State and Utah State Board of Regents.

Note: N/A = Not Available

[1] Data is provided on a calendar year basis.

[2] State Courts includes filings and dispositions for the appellate, district, and juvenile courts; it does not include the justice courts which are operated by cities and counties.

[3] Includes only licenses for elk, deer, fishing and all other big game. Year 2012 is an estimate.

[4] Includes professional, occupational, real estate, and securities licenses. Does not include corporation and other business registrations or filings.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
909	946	841	847	898	849
58.9 %	62.9 %	65.3 %	70.5 %	77.0 %	75.5 %
640,365	725,293	748,879	777,485	863,907	946,606
2,955	2,779	2,759	2,681	2,583	2,725
214,164	224,313	293,151	363,714	394,170	404,316
7.9 %	8.1 %	10.7 %	13.1 %	14.0 %	14.2 %
1,150	1,132	1,105	1,023	946	928
6.8 %	7.3 %	7.2 %	8.3 %	6.9 %	6.4 %
6,502	6,489	6,521	6,692	6,812	N/A
11,521	12,519	12,423	12,702	12,906	N/A
246	232	232	232	238	N/A
445	509	504	502	500	N/A
275,020	270,684	369,830	367,541	348,548	329,176
240,180	225,362	369,772	341,626	312,953	309,307
31,998	32,101	38,036	41,503	38,498	37,872
274,710	267,378	298,372	325,204	340,805	361,457
10.2 %	9.7 %	10.9 %	11.7 %	12.1 %	12.7 %
202,642	211,906	283,692	317,998	316,703	351,629
72 %	74 %	71 %	59 %	56 %	59 %
993,323	964,630	1,106,719	1,334,782	1,240,499	1,058,375
438,286	599,691	607,875	598,474	661,239	659,534
4,676	4,549	4,624	4,620	4,821	5,051
309,106	314,894	321,943	308,717	315,238	325,769
769	718	743	667	718	N/A
85,954	81,945	55,685	77,257	106,016	N/A
21,423	19,631	22,216	15,548	21,499	20,492
30,182	33,608	26,990	28,639	30,199	N/A
12.4 %	13.9 %	13.1 %	14.7 %	10.9 %	N/A
6,358	6,278	4,790	4,686	4,622	4,807

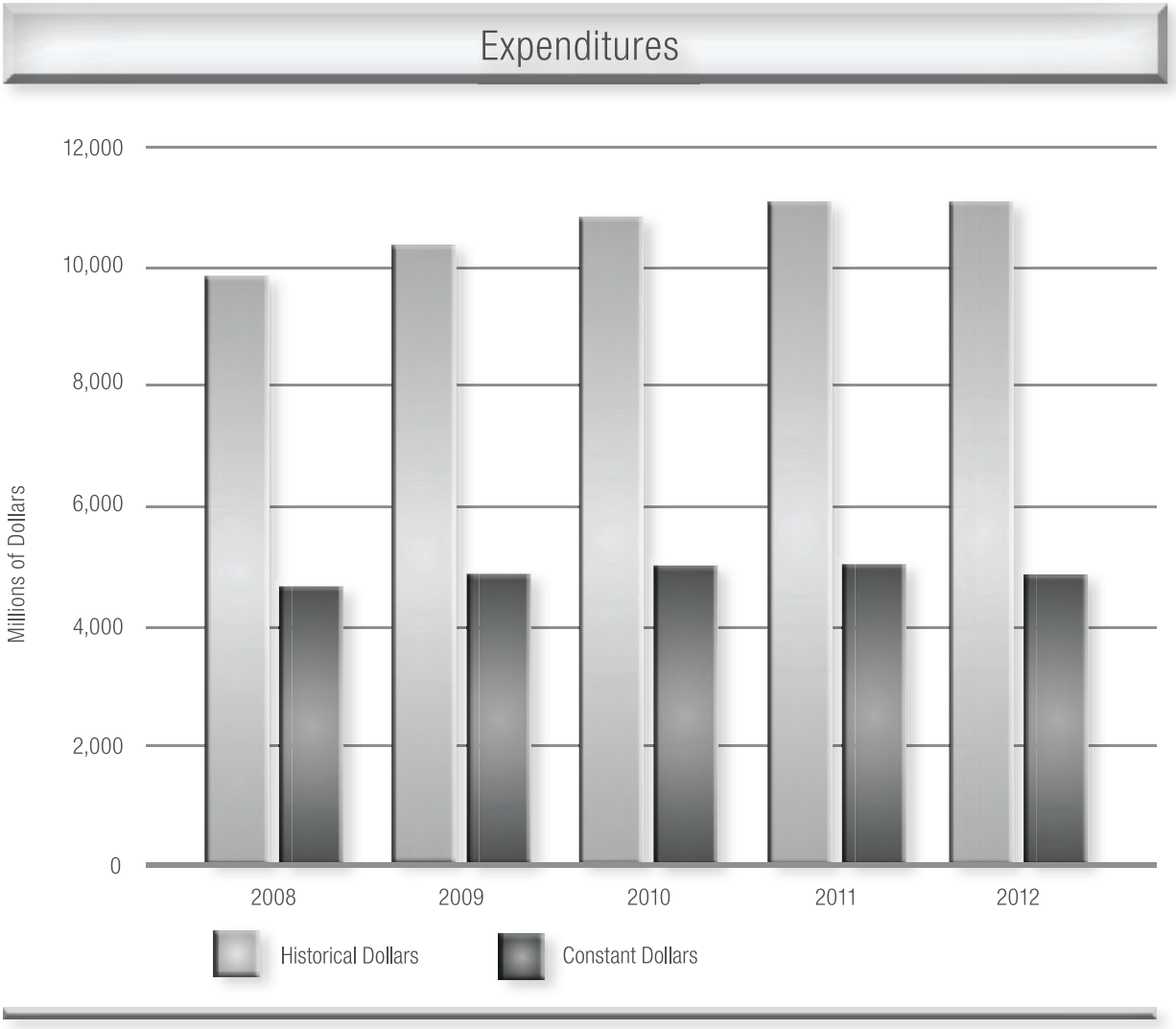
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
General Government				
Buildings	307	313	319	319
Vehicles	7,339	7,368	7,354	7,376
Data Processing Equipment and Software	3,927	2,048	2,116	2,179
Reproduction and Printing Equipment	872	1,013	1,011	1,011
Human Services and Juvenile Justice Services				
Data Processing Equipment and Software	81	84	86	75
Corrections				
Data Processing Equipment and Software	183	185	188	192
Security and Surveillance Equipment	44	43	41	40
Public Safety				
Department of Public Safety				
Vehicles	21	22	28	35
Data Processing Equipment and Software	95	117	129	135
Medical and Lab Equipment	109	116	122	133
Utah National Guard				
Buildings	199	201	202	204
State Courts				
Data Processing Equipment and Software	148	151	80	85
Audio Visual Equipment	141	163	188	190
Health and Environmental Quality				
Department of Health				
Data Processing Equipment and Software	276	214	229	215
Medical and Lab Equipment	159	172	189	204
Department of Environmental Quality				
Monitoring and Lab Equipment	250	247	279	295
Employment and Family Services				
Department of Workforce Services				
Data Processing Equipment and Software	226	289	351	370
Natural Resources				
Division of Parks and Recreation				
State Parks	39	39	40	42
Buildings	562	634	626	622
Vehicles	239	248	258	269
Division of Wildlife Resources				
Wildlife Management Areas	87	87	87	87
Fish Hatcheries	11	11	11	11
Buildings	185	192	167	167
Vehicles	93	107	117	136
Business, Labor, and Agriculture				
Data Processing Equipment and Software	94	91	100	94
Monitoring and Lab Equipment	90	101	107	108
Transportation				
Highway Center Line Miles	5,799	5,733	5,724	5,680
Buildings	299	308	315	336
Vehicles	693	701	737	770
Heavy Equipment	1,892	1,991	2,158	2,346

Source: Utah State Administrative Services, Division of Finance and various agencies of the State.

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
288	289	290	299	305	311
7,376	7,437	7,256	7,266	7,323	7,309
2,156	2,302	2,448	2,437	2,541	2,691
948	1,020	994	1,003	1,065	1,127
72	61	45	64	52	52
189	230	219	226	218	216
43	52	55	59	59	67
28	28	28	34	34	35
121	127	182	200	222	230
140	146	147	174	184	187
192	192	193	206	213	215
86	95	95	105	64	64
190	191	190	192	192	145
216	211	216	147	143	127
203	228	218	257	287	303
304	313	327	316	349	376
424	458	464	449	422	389
42	42	42	42	43	43
642	667	681	684	719	722
296	292	315	329	333	332
87	87	92	92	92	92
11	11	11	11	11	11
164	165	163	166	175	180
142	189	193	208	212	201
94	99	91	94	97	102
107	106	106	105	108	111
5,777	5,754	5,699	5,753	5,772	5,724
343	345	358	361	386	387
812	832	832	824	838	844
2,462	2,543	2,544	2,538	2,549	2,574

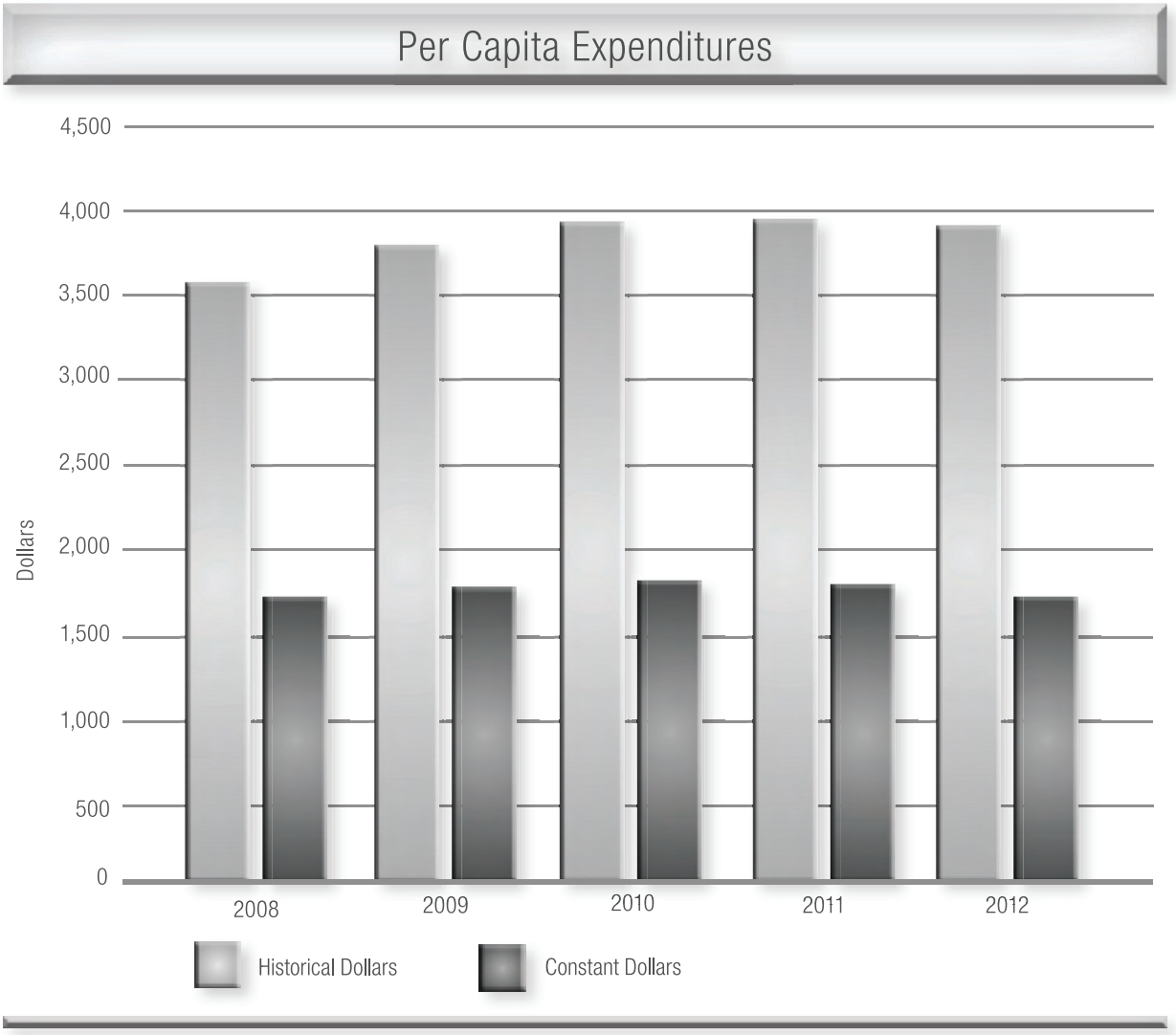
Expenditures — Historical and Constant Dollars **Schedule F–1**
All Governmental Fund Types
Last Five Fiscal Years



Fiscal Year	Historical Dollars (in Millions)	Historical Dollars Change	Constant Dollars (in Millions)	Constant Dollars Change
2008	$ 9,877	12.6 %	$ 4,666	8.6 %
2009	$ 10,391	5.2 %	$ 4,842	3.8 %
2010	$ 10,879	4.7 %	$ 5,024	3.8 %
2011	$ 11,119	2.2 %	$ 5,029	0.1 %
2012	$ 11,137	0.2 %	$ 4,894	(2.7)%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982–84 = 100.

Per Capita Expenditures — Historical and Constant Dollars **Schedule F–2**
All Governmental Fund Types
Last Five Fiscal Years



Fiscal Year	Per Capita Expenditures			
	Historical Dollars		Constant Dollars	
		Change		Change
2008	$ 3,581	10.2 %	$ 1,692	6.3 %
2009	$ 3,799	6.1 %	$ 1,770	4.6 %
2010	$ 3,920	3.2 %	$ 1,810	2.3 %
2011	$ 3,951	0.8 %	$ 1,787	(1.3)%
2012	$ 3,898	(1.3)%	$ 1,713	(4.1)%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982–84 = 100.

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Utah has a pioneering heritage that underscores our globally renowned work ethic. A spirit of self-determination and top ranked volunteerism means Utah thrives not just economically, but culturally and socially.

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STATE OF UTAH
Department of Administrative Services
SERVICES ELEVATED

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APPENDIX B

ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING 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 November 20, 2012 as follows:

Fair market value of ad valorem taxable property (1)	$263,825,160,095
Fees in lieu of ad valorem taxable property (2)	10,981,111,283
Total fair market value of taxable property (1)	$274,806,271,378
Constitutional debt limit (1.5%)	$4,122,094,071
Less: currently outstanding general obligation debt (net) (3)	(3,387,686,808)
Estimated additional constitutional debt incurring capacity of the State (4)	$ 734,407,263

(1) Based on 2011 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 2011 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.
(3) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.
(4) The State is further limited on its issuance of general obligation indebtedness by statute. See in this section "Statutory General Obligation Debt Limit" below.

Constitutional Debt Limit Estimate Using Fiscal Year 2012 Estimated Taxable Valuation. Based on early ad valorem property tax reports from the State Tax Commission, the Calendar Year 2012 estimated fair market value and fees in lieu ad valorem taxable property will be approximately $276,400,000,000, leaving the ability of the State (after the issuance of the 2012 Bonds) to issue an additional approximately $758,000,000 in general obligation bonds. (Source: Financial Advisor.)

See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" above.

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 and subject to the exemption set forth in that act. The State Appropriations and Tax Limitation Act also limit State government appropriations based upon a formula that reflects changes in population and inflation. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Recent Developments–Spending and Debt Limitations" above.

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. Of the State's current out-

standing general obligation bonds of $3,225,435,000, $2,756,455,000 is exempt from the State Appropriations and Tax Limitation Act. See "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" and "Outstanding General Obligation Indebtedness" below.

Using the budget appropriations for Fiscal Year 2013, 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 November 20, 2012, as follows:

Statutory general obligation debt limit (1)	$1,433,343,686
Less: statutorily applicable general obligation debt (net) (2)	(498,034,788)
Remaining statutory general obligation debt incurring capacity	$ 935,308,898

(1) 45% of Fiscal Year 2013 appropriation limit of $3,185,208,190.
(2) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

For a 10–year Fiscal Year history of the State's constitutional and statutory general obligation debt limits see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule C–3 Legal Debt Margin" (page 228) and "–Schedule C–4 Statutory Debt Limit" (page 228).

Authorized General Obligation Bonds and Future General Obligation Bonds Issuance. As of November 20, 2012, the State has approximately $413,606,828 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 ("UDOT") and DFCM for various capital projects. The authorizations consist of:

- $313,318,200 (all of which is exempt from statutory debt limit calculations) for highway projects from 2009;
- $42,500,000 for development projects from 2008;
- $56,165,228 (all of which is exempt from statutory debt limit calculations) for highway projects from 2007; and
- $1,623,400 for capital projects from 2004.

Based on the State's highway and transportation needs, the State anticipates that it may issue approximately $100 million of general obligation highway bonds during Fiscal Year 2014. The State does not anticipate the issuance of any general obligation highway bonds to be issued during Fiscal Year 2015. The Legislature may authorize the issuance of general obligation building bonds in future Fiscal Years, but such amounts and issuance dates are not know as of the date of this OFFICIAL STATEMENT.

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 November 20, 2012, 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
2012A (2)	Buildings/refunding	$ 37,350,000	July 1, 2017	$ 37,350,000
2011A (3)	Building/highways	609,920,000	July 1, 2026	581,160,000
2010C (4)	Refunding	172,055,000	July 1, 2019	172,055,000
2010B (4) (5)	Highways (BABs)	621,980,000	July 1, 2025	621,980,000
2010A (6)	Building/highways	412,990,000	July 1, 2017	323,145,000
2009D (4) (5)	Highways (BABs)	491,760,000	July 1, 2024	491,760,000
2009C (7)	Building/highways	490,410,000	July 1, 2018	451,100,000
2009B	Various purpose	104,450,000	July 1, 2015	64,875,000
2009A (4) (8)	Highways	394,360,000	July 1, 2019 (12)	173,685,000
2007 (4)	Various purpose	75,000,000	July 1, 2014	21,935,000
2004B (4) (8) (9)	Various purpose	140,635,000	July 1, 2014 (13)	7,700,000
2004A (10)	Refunding	314,775,000	July 1, 2016	223,390,000
2003A (4) (11)	Various purpose	407,405,000	July 1, 2013 (14)	55,300,000
Total principal amount of outstanding general obligation debt (15)				$3,225,435,000

(1) Each series of bonds has been rated (unless otherwise indicated) "AAA" by Fitch; "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT.
(2) $4,110,000 of this bond is exempt from statutory debt limit calculations.
(3) $534,300,000 of these bonds is exempt from statutory debt limit calculations.
(4) The remaining outstanding principal amounts of this bond are exempt from statutory debt limit calculations.
(5) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(6) $243,435,000 of these bonds is exempt from statutory debt limit calculations.
(7) $363,630,000 of these bonds is exempt from statutory debt limit calculations.
(8) Portions of this bond issue were refunded by the 2010C Bonds.
(9) Portions of this bond issue were refunded by the 2012 Bonds.
(10) $66,565,000 of these bonds is exempt from statutory debt limit calculations.
(11) Portions of this bond issue were refunded by the 2004A Bonds.
(12) Final maturity date after the refunding effected by the 2010C Bonds.
(13) Final maturity date after the refunding effected by the 2010C Bonds and the 2012 Bonds.
(14) Final maturity date after the refunding effected by the 2004A Bonds.
(15) For accounting purposes, the outstanding debt as shown above must be increased by the premium associated with debt issued and reduced by the deferred amount on refunding that is reported in the long–term debt notes of the State's financial statements. For accounting purposes, the total unamortized bond premium is $185,083,023 and the total deferred amount on refundings is $22,831,215 (as of November 20, 2012), together with current debt outstanding of $3,225,435,000, results in total outstanding net direct debt of $3,387,686,808.

(Source: Financial Advisor.)

(Source: Division of Finance.)

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

Fiscal Year Ending June 30	Series 2012A $37,350,000		Series 2011A $609,920,000		Series 2010C $172,055,000		Series 2010B $621,980,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest (2)
2013……	$ 0	$ 441,454	$ 28,760,000	$ 28,327,250	$ 0	$ 8,350,200	$ 0	$ 21,480,074
2014……	0	1,805,950	28,765,000	27,350,125	0	8,350,200	0	21,480,074
2015……	130,000	1,803,350	28,765,000	26,116,625	0	8,350,200	0	21,480,074
2016……	6,025,000	1,680,250	28,765,000	24,785,725	0	8,350,200	0	21,480,074
2017……	3,050,000	1,483,500	48,765,000	23,031,000	28,510,000	7,667,200	0	21,480,074
2018……	28,145,000	703,625	70,855,000	20,177,325	28,635,000	6,309,325	0	21,480,074
2019……	–	–	43,995,000	17,343,025	70,435,000	3,873,575	0	21,480,074
2020……	–	–	43,990,000	15,166,500	44,475,000	1,056,350	29,470,000	21,010,175
2021……	–	–	43,990,000	12,988,700	–	–	101,775,000	18,866,586
2022……	–	–	43,990,000	10,929,600	–	–	102,480,000	15,466,620
2023……	–	–	39,790,000	8,969,250	–	–	103,250,000 (3)	11,913,336
2024……	–	–	39,785,000	6,979,875	–	–	104,160,000 (3)	8,243,216
2025……	–	–	39,785,000	4,990,625	–	–	104,430,000 (3)	4,552,216
2026……	–	–	39,785,000	3,001,375	–	–	76,415,000 (3)	1,352,163
2027……	–	–	40,135,000	1,003,375	–	–	–	–
Totals……	$ 37,350,000	$ 7,918,129	$ 609,920,000	$ 231,160,375	$ 172,055,000	$ 52,307,250	$ 621,980,000	$ 231,764,827

Fiscal Year Ending June 30	Series 2010A $412,990,000		Series 2009D $491,760,000		Series 2009C $490,410,000		Series 2009B $104,450,000	
	Principal	Interest	Principal	Interest (2)	Principal	Interest	Principal	Interest
2013……	$ 50,245,000	$ 16,441,500	$ 0	$ 22,098,170	$ 35,225,000	$ 21,127,950	$ 19,950,000	$ 2,994,000
2014……	55,435,000	13,960,975	0	22,098,170	97,950,000	18,750,050	20,775,000	2,179,500
2015……	58,035,000	11,166,125	0	22,098,170	71,545,000	15,264,375	21,600,000	1,332,000
2016……	89,635,000	7,577,775	0	22,098,170	74,080,000	11,873,750	22,500,000	450,000
2017……	81,125,000	3,463,925	0	22,098,170	69,165,000	8,416,438	–	–
2018……	38,915,000	758,725	0	22,098,170	67,495,000	5,089,688	–	–
2019……		–	0	22,098,170	70,865,000	1,721,625	–	–
2020……	–	–	74,145,000	20,558,179	–	–	–	–
2021……	–	–	87,715,000 (4)	17,020,917	–	–	–	–
2022……	–	–	86,740,000 (4)	13,048,576	–	–	–	–
2023……	–	–	90,825,000 (4)	9,005,421	–	–	–	–
2024……	–	–	64,420,000 (4)	5,470,493	–	–	–	–
2025……	–	–	87,915,000 (4)	2,001,825	–	–	–	–
2026……	–	–	–	–	–	–	–	–
2027……	–	–	–	–	–	–	–	–
Totals……	$ 373,390,000	$ 53,369,025	$ 491,760,000	$ 221,792,603	$ 486,325,000	$ 82,243,875	$ 84,825,000	$ 6,955,500

(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. **Does not reflect federal interest rate subsidy payments on Build America Bonds.**

(2) Issued as federally taxable "Build America Bonds." Does not reflect 35% federal interest subsidy payments.

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

(4) Mandatory sinking fund principal payments from a $417,615,000 4.554% term bond due July 1, 2024.

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

Fiscal Year Ending June 30	Series 2009A $394,360,000		Series 2007 $75,000,000		Series 2004B $140,635,000		Series 2004A $314,775,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013……	$ 23,680,000	$ 8,368,600	$ 10,300,000	$ 1,195,550	$ 3,575,000	$ 577,500	$ 11,245,000	$ 11,450,625
2014……	23,680,000	7,510,425	10,720,000	775,150	3,750,000	291,250	18,480,000	10,707,500
2015……	23,680,000	6,415,450	11,215,000	280,375	3,950,000	98,750	73,595,000	8,405,625
2016……	25,265,000	5,316,325	–	–	0	0 (6)	73,910,000	4,718,000
2017……	25,265,000	4,228,075	–	–	0	0 (5)	57,405,000	1,435,125
2018……	25,265,000	3,015,325	–	–	0	0 (5)	–	–
2019……	25,265,000	1,797,525	–	–	0	0 (5)	–	–
2020……	25,265,000	605,675	–	–	0	0 (5)	–	–
2021……	0	0 (5)	–	–	–	–	–	–
2022……	0	0 (5)	–	–	–	–	–	–
2023……	0	0 (5)	–	–	–	–	–	–
2024……	0	0 (5)	–	–	–	–	–	–
2025……	–	–	–	–	–	–	–	–
2026……	–	–	–	–	–	–	–	–
2027……	–	–	–	–	–	–	–	–
Totals……	$ 197,365,000	$ 37,257,400	$ 32,235,000	$ 2,251,075	$ 11,275,000	$ 967,500	$ 234,635,000	$ 36,716,875

Fiscal Year Ending June 30	Series 2003A $407,405,000		Series 2002B $253,100,000 (7)			Totals (1)		
	Principal	Interest	Principal	Interest		Total Principal	Total Interest	Total Debt Service
2013……	$ 52,575,000	$ 4,079,375	$ 59,915,000	$ 1,610,216	……	$ 295,470,000	$ 148,542,465	$ 444,012,465
2014……	55,300,000	1,382,500	–	–	……	314,855,000	136,641,869	451,496,869
2015……	0	0 (8)	–	–	……	292,515,000	122,811,119	415,326,119
2016……	0	0 (8)	–	–	……	320,180,000	108,330,269	428,510,269
2017……	0	0 (8)	–	–	……	313,285,000	93,303,507	406,588,507
2018……	–	–	–	–	……	259,310,000	79,632,257	338,942,257
2019……	–	–	–	–	……	210,560,000	68,313,994	278,873,994
2020……	–	–	–	–	……	217,345,000	58,396,878	275,741,878
2021……	–	–	–	–	……	233,480,000	48,876,202	282,356,202
2022……	–	–	–	–	……	233,210,000	39,444,796	272,654,796
2023……	–	–	–	–	……	233,865,000	29,888,007	263,753,007
2024……	–	–	–	–	……	208,365,000	20,693,583	229,058,583
2025……	–	–	–	–	……	232,130,000	11,544,665	243,674,665
2026……	–	–	–	–	……	116,200,000	4,353,538	120,553,538
2027……	–	–	–	–	……	40,135,000	1,003,375	41,138,375
Totals……	$ 107,875,000	$ 5,461,875	$ 59,915,000	$ 1,610,216	……	$ 3,520,905,000	$ 971,776,525	$ 4,492,681,525

(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. **Does not reflect federal interest rate subsidy payments on Build America Bonds.**
(5) Principal and interest has been refunded by the 2010C General Obligation Bonds.
(6) Principal and interest has been refunded by the 2012 Bonds.
(7) This bond issue is included in this table because final principal and interest payment occurred in Fiscal Year 2013.
(8) Principal and interest has been refunded by the 2004A General Obligation Bonds.

(Source: Financial Advisor.)

Debt Ratios Of The State

	Fiscal Year				
	2012	2011	2010	2009	2008
Outstanding general obligation debt (in $1,000's)	$3,487,680	$3,128,890	$2,299,300	$1,492,620	$1,161,510
Debt ratios:					
Per capita	$1,238	$1,132	$828	$548	$436
As % of State Total Personal Income	3.66%	3.29%	2.55%	1.72%	1.28%
As % of Taxable Value	1.82%	1.63%	1.20%	0.77%	0.58%
As % of Fair Market/Market Value	1.32%	1.18%	0.87%	0.55%	0.43%

	Estimated As of November 20, 2012
Outstanding general obligation debt	$3,225,435,000
Debt ratios:	
Per capita (2011 Census estimate–2,817,222)	$1,145
As % of State Total Personal Income (2011 estimate–$95,194,414,000)	3.39%
As % of Taxable Value (2012 estimate–$191,694,668,745)	1.68%
As % of Fair Market Value/Market Value (2012 estimate–$265,053,506,848)	1.22%

(Source: Financial Advisor.)

For a 10–year history of debt ratios of outstanding debt by Fiscal Year see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule C–1 Ratios of Outstanding Debt by Type" (page 224).

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 ($ in thousands)				
	2012	2011	2010	2009	2008
General Fund Expenditures	$5,531,916	$5,384,730	$5,242,641	$5,103,322	$4,827,229
Debt Service Expenditures	$434,347	$366,404	$302,917	$245,288	$333,175
Ratio of Debt Service to General Fund Expenditures	7.85%	6.80%	5.78%	4.81%	6.90%
Total All Governmental Funds Expenditures	$11,136,520	$11,118,582	$10,879,443	$10,391,436	$9,877,368
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	3.90%	3.30%	2.78%	2.36%	3.37%

(Sources: Division of Finance and the 2012 CAFR.)

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Revenue Bonds And Notes

State of Utah Recapitalization Revenue Bonds. The State Bonding Commission is authorized, with prior approval of the Legislature, to issue "recapitalization" revenue bonds of the State to provide funds for certain of the State's revolving loan funds. Such State revenue bonds are secured principally by the payments on certain bonds, notes and other obligations owned by the State through such funds and by debt service reserve funds, and constitute "State Moral Obligation Bonds," but are not applied against the general obligation borrowing capacity of the State. The State has issued the following recapitalization revenue bonds:

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2010C (2)	Water resources (BABs)	$31,225,000	July 1, 2022	$31,225,000
2010B.....	Water resources	16,125,000	July 1, 2017	16,125,000
2010A (3).....	Water resources	18,450,000	July 1, 2014	9,195,000
Total principal amount of outstanding recapitalization revenue bonds (4)				$56,545,000

(1) Each series of bonds shown below has been rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No bond rating was requested from Fitch.
(2) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(3) Issued as federally taxable bonds.
(4) For accounting purposes, the total unamortized bond premium is $1,110,498 (as of November 20, 2012), together with current debt outstanding of $56,545,000, results in total outstanding net direct debt of $57,655,498.

(Source: Division of Finance.)

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

See also "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Notes to the Financial Statements–Note 10. Long–Term Liabilities. C. Revenue Bonds–Revenue Bond Payable–Primary Government–Business Type Activities" (page 103).

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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 Outlook 2012* (the "Economic Outlook 2012"); the *Economic Report to the Governor* (the "2011 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 Economic Outlook 2012 and the 2011 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 the Economic Outlook 2012 and the 2011 ERG have been generated by members of the State Council of Economic Advisors. A complete copy of the Economic Outlook 2012 and the 2011 ERG may be obtained on the internet or by contacting GOPB; 801.538.1027 | f 801.538.1547 | governor.utah.gov.

Geographic Information

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 13th among the states in total area, the State contains approximately 84,900 square miles. It ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the state is known for its scenic beauty and the diversity of its outdoor recreation areas. As of April 2001, land ownership in the State was distributed as 63.9% federal, 10.1% State, and 26% other (American Indian reservation, municipal, state sovereign lands, and private).

Demographics

The State's 2011 total population estimate was 2,817,222. This represents a population increase of 53,337 people or 1.9% from 2010, ranking the State third among states and the District of Columbia in population growth by percentage. The State grew at a rate more than twice that of the rest of nation from 2010 to 2011. The State's unique characteristics of a high fertility rate and low mortality rate consistently contribute to strong natural increase, the difference between births and deaths. The State continues to have a distinctive demographic profile that includes the nation's youngest population, highest fertility rate, largest household size, and low mortality rates.

2012 Outlook. The State will continue experience population growth at a rate higher than most states in 2012 on account of strong natural increase in addition to in–migration. Natural increase (births less deaths) is anticipated to add 39,000 people to the states' population. While net in–migration has slowed since the peak of the economic expansion, state's net migration is projected to remain positive at 5,000 people.

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State Population

Year	Population	% Change From Prior Period
2011 Estimate	2,817,222	1.9%
2010 Census	2,763,885	23.8
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
1930 Census	507,847	13.0
1920 Census	449,396	20.4
1910 Census	373,351	34.9

(Source: U.S. Bureau of the Census.)

Components of Population Change in the State

Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2011	51,734	14,787	36,947	2,313	39,260
2010	52,781	14,206	38,575	4,750	43,325
2009	54,658	13,873	40,785	(57)	40,728
2008	55,483	13,941	41,542	13,064	54,606
2007	54,345	13,967	40,378	19,851	60,229
2006	52,507	13,496	39,011	32,262	71,273
2005	50,581	13,163	37,418	39,001	76,419
2004	50,673	13,501	37,172	20,893	58,065
2003	49,669	13,041	36,628	3,481	40,109
2002	48,171	12,929	35,242	4,599	39,841

(Source: GOPB.)

Significant Characteristics of the State's Population

Category	Ranking (1)	Comments
Population growth (2010 to 2011)	3rd (1.9% growth rate)	out of 50 states
State population (July 1, 2011)	34th	out of 50 states and DC
Pre–school age (under five years old)	1st	9.5%
School age (five to 17)	1st	22.0%
Working age (18 to 64)	51st	59.5%
Retirement age (over age 65)	49th	9.0%
Median age (July 1, 2011)	1st	29.5 years
Dependency ratio (July 1, 2011)	1st	67.9 per 100 of working age
Fertility rate (2009)	1st	2.47 births/woman

(1) Rankings are from most favorable to least favorable, highest to lowest. Rankings are based on the most current national data available for all states, includes the District of Columbia in some cases.

Significant Characteristics of the State's Population–continued

Category	Ranking (1)	Comments
Death rate (2009)	50th	5.1 deaths/1,000 population
Life expectancy (2000)	3rd	78.6 years
Urban status	9th	88.3% urban
Household size (2010)	1st	3.13 persons

(1) Rankings are from most favorable to least favorable, highest to lowest. Rankings are based on the most current national data available for all states, includes the District of Columbia in some cases.

(Source: 2011 Economic Outlook and GOPB.)

Employment, Wages And Labor Force

The State's economy has been on the mend throughout 2011. Several economic variables support this view, the most prominent being employment growth just below 3.0% at the end of 2011. Most indicators are pointing to a continuation of economic growth into 2012. It would probably take a strong negative national setback to throw this trend off course.

The State's current employment growth is largely being driven by positive demographic factors. Labor force–age population grew by approximately 110,000 since the recession began in late 2007 and the States' overall payroll employment count was down 40,000 during the same time. The disparity between labor force growth and payroll–employment contraction generates commerce that leads to employment growth. The State was near the top in state–rankings of percentage employment growth at the end of 2011.

The State's major metropolitan areas are leading in the growth, even the hard–hit Washington County (St. George City) area is expanding again, although slowly. Utah and Davis counties are making the strongest rebound with employment growth over 4.0%. Gains in Salt Lake County are a bit more tempered, up 2.0%, but a bigger employment base requires larger numeric gains to match Utah and Davis County growth percentages. The rural counties are showing more delay in economic growth from the changing economy, with employment up in some counties, down in others.

2012 Outlook. The State employment situation is not expected to alter much during 2012. Employment growth for the year is estimated to be 2.7%. This mirrors the State employment growth situation as of late 2011, so the economy will continue to generate new jobs as the year progresses, but the pace is not expected to accelerate. A boost from the construction and housing industries would be welcomed to help foster this growth higher, but any significant lift from those industries is not anticipated for 2012. The estimated employment growth for 2012 would bring the State employment levels just shy of their pre–recession peak in 2007. Labor force growth that occurred across that interval would still need to be employed; thus the unemployment rate is expected to remain at 6.7%.

Current Unemployment Rates (seasonally adjusted)

Current Unemployment Rate	State	U.S.
July 2012	6.0%	8.3%
July 2011	6.8	9.1

(Source: Utah Department of Workforce Services.)

Average Annual Employment and Unemployment Rate for Utah and the United States

Year	Utah Civilian Labor Force	Utah Total Employed	Unemployment Rate Utah	Unemployment Rate U.S.	Utah Unemployment Rate as % of U.S. Rate
2012 (f)	1,395,735	1,302,617	6.7%	9.0%	74.4%
2011 (e)	1,380,900	1,274,000	7.7	9.0	85.6
2010	1,378,900	1,268,000	8.0	9.6	83.3
2009	1,383,202	1,285,134	7.1	9.3	76.3
2008	1,368,182	1,317,082	3.7	5.8	63.8
2007	1,356,550	1,319,784	2.7	4.6	58.7
2006	1,318,473	1,279,453	3.0	4.6	65.2
2005	1,268,075	1,214,150	4.3	5.1	84.3
2004	1,203,459	1,140,498	5.2	5.5	95.0
2003	1,188,279	1,121,088	5.7	6.0	94.2
2002	1,174,582	1,107,379	5.7	5.8	98.3
2001	1,153,387	1,103,028	4.4	4.8	91.7
2000	1,133,870	1,095,657	3.4	4.0	85.0
1999	1,120,591	1,080,441	3.6	4.2	85.7
1998	1,101,972	1,061,282	3.7	4.5	82.2

(f) forecast; (e) estimate.

(Source: Utah Department of Workforce Services; GOPB)

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Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

	2012(f)	2011(e)	2010	2009	2008	2007	% Change 2011–12	% Change 2010–11	% Change 2009–10	% Change 2008–09	% Change 2007–08
Civilian labor force	1,395,735	1,380,900	1,378,900	1,383,202	1,368,182	1,356,550	1.1	0.1	(0.3)	1.1	0.9
Employed persons	1,302,617	1,274,000	1,268,000	1,285,134	1,317,082	1,319,784	2.2	0.5	(1.3)	(2.4)	(0.2)
Unemployed persons	93,118	106,900	110,900	98,068	51,100	36,766	(12.9)	(3.6)	13.1	91.9	39.0
Unemployment rate (%)	6.7	7.7	8.0	7.1	3.7	2.7	–	–	–	–	–
U.S. unemployment rate (%)	9.0	9.0	9.6	9.3	5.8	4.6	–	–	–	–	–
Total nonfarm jobs	1,241,300	1,208,500	1,181,519	1,188,736	1,252,470	1,251,282	2.7	2.3	(0.6)	(5.1)	0.1
Mining	12,200	11,500	10,442	10,694	12,506	11,034	6.1	10.1	(2.4)	(14.5)	13.3
Construction	68,300	65,700	65,237	70,492	90,469	103,450	4.0	0.7	(7.5)	(22.1)	(12.5)
Manufacturing	116,200	113,300	111,080	112,874	125,852	127,695	2.6	2.0	(1.6)	(10.3)	(1.4)
Trade, transportation, utilities	237,300	233,600	229,128	234,097	247,978	245,672	1.6	2.0	(2.1)	(5.6)	0.9
Information	30,300	29,500	29,268	29,558	30,747	32,448	2.7	0.8	(1.0)	(3.9)	(5.2)
Financial activity	70,500	68,800	67,998	71,075	74,050	74,739	2.5	1.2	(4.3)	(4.0)	(0.9)
Professional and business services	166,000	157,700	152,374	149,517	162,194	161,022	5.3	3.5	1.9	(7.8)	0.7
Education and health services	165,100	160,200	155,019	150,874	146,617	139,991	3.1	3.3	2.7	2.9	4.7
Leisure and hospitality	116,600	114,000	110,675	110,852	114,813	112,821	2.3	3.0	(0.2)	(3.4)	1.8
Other services	34,800	34,000	33,630	34,024	35,534	35,542	2.4	1.1	(1.2)	(4.2)	(0.0)
Government	224,000	220,200	216,668	214,679	211,710	206,868	1.7	1.6	0.9	1.4	2.3
Goods–producing	196,700	190,500	186,759	194,060	228,827	242,179	3.3	2.0	(3.8)	(15.2)	(5.5)
Service–producing	1,044,600	1,018,000	994,760	994,676	1,023,643	1,009,103	2.6	2.3	0.0	(2.8)	1.4
% Service–producing	84.2%	84.2%	84.2%	83.7%	81.7%	80.6%	–	–	–	–	–
U.S. nonagricultural job growth	1.1%	1.0%	(0.7)%	(4.3)%	(0.6)%	1.1%	–	–	–	–	–
Total nonagricultural wages (millions)	$50,980	$48,111	$45,684	$45,242	$46,913	$45,691	6.0	5.3	1.0	(3.6)	2.7
Average annual wage	$41,070	$39,811	$38,665	$38,059	$37,456	$36,515	3.2	3.0	1.6	1.6	2.6
Average monthly wage	$3,422	$3,318	$3,222	$3,172	$3,121	$3,043	3.1	3.0	1.6	1.6	2.6
Establishments (first quarter)	82,800	80,600	80,419	83,263	85,492	84,957	2.7	0.2	(3.4)	(2.6)	0.6

(f) forecast; (e) estimated.

(Source: Utah Deparment of Employment Services, Economic Outlook 2011 and GOPB. June 2011)

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
Intermountain Health Care	Healthcare	20,000+
University of Utah (including Hospital)	Higher education	20,000+
State of Utah	State government	20,000+
Brigham Young University	Higher education	15,000–20,000
Wal–Mart Stores	Department store	15,000–20,000
Hill Air Force Base	Military installation	10,000–15,000
Davis School District	Public education	7,000–10,000
Granite School District	Public education	7,000–10,000
Utah State University	Higher education	7,000–10,000
Alpine School District	Public education	5,000–7,000
Jordan School District.	Public education	5,000–7,000
Kroger Group Cooperative	Retail stores	5,000–7,000
Salt Lake County	County government	5,000–7,000
U.S. Department of Treasury	Federal government	5,000–7,000
U.S. Postal Service	Mail distribution	5,000–7,000
Canyons School District.	Public education	4,000–5,000
ATK Launch Systems	Aerospace manufacturing	4,000–5,000
Zions Bank	Banking	4,000–5,000
Convergys	Telemarketing	3,000–4,000
Delta Airlines Inc.	Air transportation	3,000–4,000
Home Depot	Building supply store	3,000–4,000
L3 Communications	Electronic manufacturing	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
SOS Temporary Services	Temporary help services	3,000–4,000
United Parcel Service	Courier service	3,000–4,000
Utah Valley State College	Higher education	3,000–4,000
Weber County School District	Public education	3,000–4,000
Wells Fargo Bank N.A.	Banking	3,000–4,000
Autoliv	Motor vehicle manufacturing	2,000–3,000
ARUP	Medical laboratory	2,000–3,000
CenturyLink	Telecommunications	2,000–3,000
Costco Wholesale	Retail warehouse club	2,000–3,000
Discover Products	Consumer loans	2,000–3,000
Fresh Markets	Grocery stores	2,000–3,000
National Benefit Services	Office administration	2,000–3,000
Larry H. Miller	Hospitality/motor vehicle dealer	2,000–3,000
Sizzler Platter	Restaurants	2,000–3,000
Salt Lake Community College	Higher education	2,000–3,000
Department of Veteran's Affairs	Federal government	2,000–3,000
Washington County School District	Public education	2,000–3,000
Weber State University	Higher education	2,000–3,000

(1) The most current information is as of 2010. Includes those firms with 2,000 to 3,000 and more employees. The Church of Jesus Christ of Latter–day Saints Church remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: Utah Department of Workforce Services; 2011 ERG.)

For the State's presentation of principal employers as of Calendar Year 2002 and 2011 see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF UTAH FOR FISCAL YEAR 2012–Statistical Section–Schedule D–2. Principal Employers" (page 232).

Personal Income

The State's estimated 2010 total personal income was approximately $32,473, up 1.8% from the 2009 level of $31,886. The State's total personal income was only 81.3% of the national total personal income ($39,945) in 2010. The State's total personal income remains weak against the national average as a result of two factors: (i) the State's average wages are generally below the national average due to the youth of the State's labor force and (ii) the State's population is the nation's youngest and its household size is the largest. As a result, State's low total personal income reflects the relatively larger proportion of non–wage earners in the denominator.

The State's 2010 per capita personal income was $32,473 ranking the State 49th among the 50 states and Washington, D.C. The State has a low per capita personal income because of its above average family size and young population. During the 1970s, the State per capita personal income ranged between 82.5% and 85.7% of the nation's per capita personal income. However, from 1977 to 1989, it dropped 10 percentage points to 75.8%. The State per capita personal income as a percent of national per capita personal income reached a recent high of 82% in 2001 and has since fluctuated around 80%, currently standing at 81.3% for 2010.

2012 Outlook. The State's total personal income is expected to increase by 5.4% in 2011, much stronger growth compared to the 2.4% increase in 2010. The 2011 increase in personal income was led by strong wage growth, 4.9%. All sources of income except interest income were positive in 2011.

Moving into 2012 as the economy continues to recover, State personal income is expected to increase by 4.7%, 1.6% above the anticipated U.S. increase. Strong wage growth (6%) and continued growth in proprietorship income (4.3%) is expected in 2012. Income from interest is forecast to fall 1.16%, as the Federal Reserve keeps interest rates at low levels through 2012. Growth in rental income is expected to slow, with only 1.3% growth, as the housing market starts to recover and renting starts to become less attractive. Continued growth in dividend income (9.7%) and transfer payments (3.3%) is expected in 2012. Per capita personal income is forecast to increase 5.7% in 2012.

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Total Personal Income ($ In Thousands)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2012 (f)	$99,418	4.7%	$13,567,233	3.1%
2011 (e)	94,955	5.4	13,156,606	5.0
2010	90,090	2.4	12,530,101	3.0
2009	87,947	(1.1)	12,168,161	(1.7)
2008	88,901	4.4	12,379,745	4.0
2007	85,116	8.6	11,899,853	5.7
2006	78,378	9.6	11,256,516	7.4
2005	71,530	9.3	10,476,669	5.5
2004	65,453	6.5	9,928,790	6.0
2003	61,485	2.7	9,369,072	3.5
2000	55,025	–	8554866	–
1995	37,795	–	6,194,245	–
1990	25,704	–	4,831,282	–

(f) forecast; (e) estimate.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA"); GOPB.)

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Components of the State's Total Personal Income

	(in millions)					% change	% change	% change	% change
	2010	2009	2008	2007	2006	2009–10	2008–09	2007–08	2006–07
Personal income	$90,160	$86,839	$88,792	$85,106	$78,378	3.8	(2.2)	4.3	8.6
Earnings by place of work	70,187	98,208	69,833	68,318	63,748	(28.5)	40.6	2.2	7.2
less: Contributions for government social insurance	7,927	7,725	8,011	7,778	7,271	2.6	(3.6)	3.0	7.0
plus: Adjustment for residence	3	11	37	37	43	(72.7)	(70.3)	0.0	(14.0)
equals: Net earnings by place of residence	62,263	60,494	61,858	60,577	56,520	2.9	(2.2)	2.1	7.2
plus: Dividends, interest, and rent	14,915	14,302	16,613	15,156	13,227	4.3	(13.9)	9.6	14.6
plus: Personal current transfer receipts	12,983	12,042	10,322	9,373	8,631	7.8	16.7	10.1	8.6
Components of earnings:									
Wage and salary disbursements	49,828	48,994	50,697	49,392	45,155	1.7	(3.4)	2.6	9.4
Supplements to wages and salaries	12,773	12,519	12,261	11,659	11,123	2.0	2.1	5.2	4.8
Proprietors' income	7,584	6,695	6,875	7,268	7,470	13.3	(2.6)	(5.4)	(2.7)
Farm proprietors' income	2	(108)	59	2	(1)	(101.9)	(283.1)	2,850.0	(300.0)
nonfarm proprietors' income	7,584	6,803	6,815	7,265	7,471	11.5	(0.2)	(6.2)	(2.8)
Earnings by industry:									
Farm earnings	206	106	246	197	167	94.3	(56.9)	24.9	18.0
Nonfarm earnings	69,980	68,102	69,587	68,121	63,581	2.8	(2.1)	2.2	7.1
Private earnings	56,433	54,775	56,891	56,079	52,203	3.0	(3.7)	1.4	7.4
Forestry, fishing, related activities, and other	60	56	69	69	60,473	7.1	(18.8)	0.0	(99.9)
Mining	940	906	1,373	1,072	992	3.8	(34.0)	28.1	8.1
Utilities	518	501	479	454	470	3.4	4.6	5.5	(3.4)
Construction	4,851	4,880	5,589	6,367	5,803	(0.6)	(12.7)	(12.2)	9.7
Manufacturing	7,523	7,242	7,897	7,604	7,095	3.9	(8.3)	3.9	7.2
Wholesale trade	3,146	3,148	3,305	3,219	2,910	(0.1)	(4.8)	2.7	10.6
Retail trade	5,353	5,249	5,239	5,415	4,992	2.0	0.2	(3.3)	8.5
Transportation and warehousing	2,873	2,819	2,928	3,026	2,728	1.9	(3.7)	(3.2)	10.9
Information	1,931	1,837	1,914	1,855	1,849	5.1	(4.0)	3.2	0.3
Finance and insurance	4,208	4,162	3,944	3,978	3,722	1.1	5.5	(0.9)	6.9
Real estate and rental and leasing	1,371	1,271	1,191	1,203	1,363	7.9	6.7	(1.0)	(11.7)
Professional, scientific and technical services	5,862	5,741	6,032	5,651	5,162	2.1	(4.8)	6.7	9.5
Management of companies and enterprises	1,629	1,516	1,492	1,479	1,365	7.5	1.6	0.9	8.4
Administrative and waste services	2,694	2,505	2,674	2,693	2,441	7.5	(6.3)	(0.7)	10.3
Educational services	1,340	1,254	1,190	1,119	1,040	6.9	5.4	6.3	7.6
Health care and social assistance	6,194	6,040	5,697	5,279	4,982	2.5	6.0	7.9	6.0
Arts, entertainment and recreation	594	567	579	592	551	4.8	(2.1)	(2.2)	7.4
Accommodations and food services	2,019	1,876	2,021	1,983	1,807	7.6	(7.2)	1.9	9.7
Other services, except public administration	3,329	3,205	3,188	3,022	2,871	3.9	0.5	5.5	5.3
Government and government enterprises	13,547	13,327	12,695	12,043	11,378	1.7	5.0	5.4	5.8
Federal, civilian	3,423	3,269	3,138	3,137	3,000	4.7	4.2	0.0	4.6
Military	1,066	1,060	956	911	898	0.6	10.9	4.9	1.4
State government	4,120	4,070	8,601	7,995	7,480	1.2	(52.7)	7.6	6.9
Local government	4,938	4,928	–	–	–	0.2	–	–	–

(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.
2012 (f)	$38,129	$44,383	5.7%	3.1%	85.9%
2011 (e)	36,073	43,039	10.7	6.0	83.8
2010	32,595	40,584	6.0	4.5	80.3
2009	30,758	38,845	(5.6)	(4.5)	79.2
2008	32,596	40,673	2.0	3.1	80.1
2007	31,953	39,458	5.3	4.7	81.0
2006	30,335	37,698	6.0	6.4	80.5
2005	28,616	35,424	6.6	4.6	80.8
2004	26,837	33,881	3.9	5.0	79.2
2003	25,835	32,271	0.7	2.6	80.1
2000	24,517	30,318	–	–	80.9
1995	18,765	23,262	–	–	80.7
1990	14,847	19,354	–	–	76.7
1985	11,926	14,637	–	–	81.5
1980	8,492	10,091	–	–	84.2

(f) forecast; (e) estimate.

(Source: BEA and GOPB.)

Gross Domestic Product

Gross Domestic Product ("GDP") is the value of final goods and services produced by the labor and property located in a geographic area. GDP is gross output less intermediate inputs, and as such it measures the economic activity within an area.

Total Gross Domestic Product (millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2010	$114,538	2.9%	$14,551,782	3.8%
2009	111,301	(0.9)	14,014,849	(1.8)
2008	112,353	3.3	14,270,462	2.2
2007	108,815	8.3	13,969,323	4.9
2006	100,466	10.7	13,310,937	6.0
2005	90,748	9.8	12,554,538	6.5
2004	82,616	6.2	11,788,909	6.5
2003	77,809	4.3	11,067,759	4.7
2002	74,568	3.0	10,572,388	3.5
2001	72,384	4.2	10,218,019	3.4

(Source: BEA.)

Gross Taxable Sales

Taxable sales are comprised of three major components: retail trade, business investments and utility taxable sales, and taxable services. In 2011, total taxable sales in State increased by 5.6% to an estimated $46.8 billion. After three years of decline in taxable sales, 2011 was the first year of positive change.

Retail trade taxable sales were an estimated $26.3 billion in 2011, an increase of 4.8% from 2010. Retail taxable sales represent 56.1% of taxable sales. Business investment and utility taxable sales were an estimated $12.6 billion in 2011, an increase of 7.7% from 2010. These sales represent 26.9% of taxable sales. Taxable services were estimated at $6.8 billion for 2011, an 8.8% increase over 2010. Taxable sales represent 14.5% of all taxable sales.

2012 Outlook. Total taxable sales are expected to increase by 4.3%, from $46.8 billion to $48.8 billion, between 2011 and 2012. Retail trade is projected to grow by 5.9% in 2012. Business investment and utility taxable sales are expected to grow another 2.3% in 2012. Taxable services are expected to increase by 3.2% in 2012. The economy is expected to continue on a slow path to recovery as the credit market becomes less and less tight and both investor and consumer confidence continues to grow.

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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
2012 (f)….	$27,804	5.9 %	$12,856	2.3 %	$6,973	3.2 %	$1,170	(2.3) %	$ 48,803	4.3 %
2011 (e)….	26,255	4.8 %	12,567	7.7 %	6,757	8.8 %	1,197	(11.3) %	46,776	5.6 %
2010……	25,061	(2.1)	11,667	5.4	6,213	(2.0)	1,350	(3.6)	44,291	(0.3)
2009……	25,600	(3.4)	11,071	(12.3)	6,338	(7.1)	1,400	(1.5)	44,409	(6.2)
2008……	26,489	(0.1)	12,628	(3.9)	6,822	11.5	1,422	(26.4)	47,361	(0.7)
2007……	26,504	6.1	13,136	4.7	6,119	7.9	1,931	19.9	47,690	6.5
2006……	24,969	12.7	12,546	18.6	5,670	10.4	1,610	17.3	44,795	14.2
2005……	22,155	8.9	10,579	16.0	5,135	13.3	1,372	5.1	39,241	11.1
2004……	20,351	8.2	9,121	15.3	4,534	3.1	1,305	(9.8)	35,311	8.4
2003……	18,808	2.5	7,909	(1.6)	4,396	(4.7)	1,447	(3.7)	32,560	0.1

(f) forecast; (e) estimate.

(Source: Utah State Tax Commission.)

Tax Collections

General and Education Fund ("GF/EF") revenue for Fiscal Year 2011 increased 11.1% over Fiscal Year 2010. For Fiscal Year 2011, total collections reached $4,658.5 million, $464.9 million more than prior year collections of $4,193.6 million. The increase in revenue is attributable to an improving economy, temporary policy changes with earmarked funds, and a tax increase on tobacco products. This is the first time revenues have increased since Fiscal Year 2007, having declined 1.8%, 12.5%, and 8.1% in the prior three fiscal years, respectively.

Compared to forecast expectations, GF/EF collections in Fiscal Year 2011 were $97.7 million in surplus, a 2.3% difference. Revenue was expected to rise $368.0 million or 8.8% in Fiscal Year 2010; collections actually rose $465.7 million or 11.1%.

The outlook for tax collections in Fiscal Year 2012 is positive, with expected collections of $4,753.5 million. A growing economy, partially offset by a shift in the earmarking of funds is expected to produce an extra $95.0 million in GF/EF tax collections, a 2.0% increase. This is $73.3 million higher than forecast in the 2011 General Legislative Session. General Fund collections are expected to fall $17.8 million or 0.9%. Education Fund collections are expected to grow $112.8 million or 4.3%.

Fiscal Year 2011 Tax Collections. Tax collections in the GF/EF reached $4,658.5 million in Fiscal Year 2011, an increase of $464.9 million or 11.1% over prior year. The General Fund rose to $2,046.3 million, a gain of $264.9 million or 14.9%. The Education Fund rose to $2,612.2 million, a gain of $200.0 million or 8.3%.

The General Fund was 43.9% of all collections, and the Education Fund the balance at 56.1%. Individual income tax collections were $2,298.2 million and represent 49.3% of all collections. Sales and use tax collections were $1,601.4 million and were 34.4% of collections. All other General Fund collections were $444.9 million and represent 9.5% of collections. All other Education Fund collections were $314.1 million and represent 6.7% of collections.

2011 Revenue Forecast. The first consensus forecast for Fiscal Year 2011, in November 2009 was for tax collections of $4,410.7 million, a 4.5% increase over prior year. Months later, in early 2010, the forecast predicted $4,361.1 million a rise of $141.0 million or 3.3%. After realizing Fiscal Year 2010 revenue at $4,193.6 million, a $26.5 million revenue deficit, the Fiscal Year 2011 revenue forecast was increased $176.1 million to $4,537.1 million or 8.2% almost entirely due to policy changes enacted in the 2010 General Legislative Session. The last consensus revenue forecast in February 2011, with four months until the end of Fiscal Year 2011, raised the revenue forecast $25.1 million to $4,562.3 million or growth of 8.8%. Actual tax collections for Fiscal Year 2011 exceeded this estimate by $97.7 million, growing 11.1% instead of 8.8%.

2011 Legislation Impacting Tax Collections. During the 2011 General Legislative Session, several bills impacting tax collections were enacted. A major policy change from the prior session, House Bill 438, shifted $113 million in sales tax earmarked for transportation spending back to the General Fund for Fiscal Year 2011 only. Though it appears the sales tax is forecast to fall $39.4 million or 2.5%, due to the shifting earmark it is actually growing near 5%. Further earmarking of the sales tax was enacted with Senate Bill 229. Starting in Fiscal Year 2013, this bill earmarks 30% of the future growth in state collected sales tax to the Centennial Highway Fund. The current forecast places this additional earmark at $60.0 million in Fiscal Year 2013. Total earmarks are expected to reach $401.6 million in Fiscal Year 2013, just over 20% of expected total sales tax collections.

2012 Revenue Forecast. The initial forecast for Fiscal Year 2012, in November 2010 was for tax collections of $4,629.4 million, 2.0% higher than prior year. Months later, in early 2011, the consensus forecast was revised up $47.4 million to $4,676.8 million or growth of 2.5%. Projected policy changes from 2011 legislation did not substantively affect the forecast (total impacts being estimated at $3.3 million). In

November 2011, with Fiscal Year 2011 revenue realized at $4,658.5 million or 11.1% growth, and a continued economic recovery, tax collections in Fiscal Year 2012 were forecast to grow to $4,753.5 million or 2.0%, an increase of $95.0 million.

Historical/Projected Tax Collections within the General Fund, Education Fund and Transportation Fund

($ In Thousands)

	Fiscal Year			
	Forecast 2012	2011	2010	2009
General Fund:				
Sales and use tax	$1,562,000	$1,601,400	$1,402,670	$1,547,473
Beer, cigarette, and tobacco	127,800	125,500	58,700	60,600
Insurance premiums	79,600	75,900	80,000	83,000
Other	77,200	72,300	80,300	54,400
Oil and gas severance tax	66,600	59,900	56,200	71,000
Liquor profits	65,900	62,300	58,400	59,700
Metal severance tax	26,900	27,100	20,900	14,600
Cable/satellite excise tax	25,900	25,400	25,300	24,800
Investment income	2,800	2,400	5,300	25,100
Inheritance tax	100	100	100	300
Property and energy credit	(6,300)	(6,000)	(6,400)	(6,200)
Subtotal General Fund revenues	2,028,500	2,046,300	1,781,400	1,934,600
Education Fund:				
Individual income tax	2,435,900	2,298,200	2,104,600	2,319,600
Corporation tax	254,400	260,700	258,400	255,400
Mineral production withholding	28,100	26,700	24,600	32,500
Other	6,600	26,600	24,600	19,300
Subtotal Education Fund revenues	2,725,000	2,612,200	2,412,200	2,626,800
Total General Fund and Education Fund revenues	$4,753,500	$4,658,500	$4,193,600	$4,561,400
% change over previous year	2.0%	11.1%	(8.1)%	(12.5)%
Transportation Fund:				
Motor fuel tax	$251,900	$252,500	$243,300	$235,500
Special fuel tax	106,900	102,600	94,400	101,200
Other	81,200	80,700	73,600	85,400
Total Transportation Fund revenues	$440,000	$435,800	$411,400	$422,100
% change over previous year	1.0%	5.9%	(2.5)%	(5.4)%
Total Mineral Lease payments	$153,600	$152,800	$147,200	$189,100
% change over previous year	0.5%	3.8%	(22.2)%	25.8%
Total revenues	$5,347,100	$5,247,100	$4,752,200	$5,172,700
% change over previous year	1.9%	10.4%	(8.1)%	(11.0)%

(Sources: GOPB's Consensus Forecast.)

Construction

The value of permit authorized construction in the State in 2011 was estimated at $3.5 billion, slightly higher than the $3.3 billion in 2010. In inflation–adjusted dollars, the value of authorized construction last

year was at the lowest level since 1992. The 6% increase in 2011 reverses four consecutive years of decline. In constant 2011 dollars all three major construction sectors improved in 2011. Residential value was up 4.1%, nonresidential value was up 18.9%, and additions, alterations and repairs were up 4.2%.

In terms of residential units, the numbers were lower in 2011 than in 2010. The estimate for 2011 was 8,700 units, 6.5% below 2010. This year will mark six consecutive years of decline in residential units. The State's longest previous residential contraction was five years (1978–1982). During the peak year of 2005 permits were issued for 28,825 units compared to 8,700 six years later, a decline of 69% for total residential units, which includes apartment, condominiums and single–family homes. The decline has been more severe for single–family homes, which have dropped from 20,912 in 2005 to an estimated 4,800 units in 2011, a decline of 77%.

2012 Outlook. After a residential construction value contraction of five years, the State saw growth with an increase from $1.67 billion in 2010 to $1.74 billion in 2011, and the growth is expected to continue in 2012. The number of permits issued for residential units should increase by 14.9% in 2012 to 10,000 units with a construction value of $2.0 billion. On the nonresidential side, the value of permit authorized nonresidential construction is projected to remain at $1.1 billion in 2012.

Permit–Authorized Construction ($ In Millions)

		Construction Value			
Year	Total Units	Residential	Nonresidential	Renovations	Total Valuation
2012 (f)	10,000	$2,000.0	$1,100.0	$700.0	$3,800.0
2011 (e)	8,700	1,735.0	1,100.0	700.0	3,535.0
2010	9,344	1,667.0	925.1	672.0	3,264.1
2009	10,488	1,674.0	1,054.3	660.1	3,388.4
2008	10,603	1,877.0	1,919.1	791.1	4,587.2
2007	20,539	3,963.2	2,051.0	979.7	6,993.9
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	6,588.0
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	3,781.9
2001	19,675	2,352.7	970.0	562.8	3,885.5

(forecast); (e) estimate.

(Source: Economic Outlook 2011 and GOPB.)

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APPENDIX D

BASIC DOCUMENTATION

Table Of Contents

	Page
DEFINITIONS OF CERTAIN TERMS	D– 2
THE INDENTURE	D– 9
Additional Bonds	D– 9
General Covenants	D–10
Revenues And Funds	D–10
Moneys To Be Held In Trust	D–12
Permitted Investments	D–12
Discharge Of Lien	D–13
Possession, Use And Partial Release Of Lease Property	D–13
Events Of Default And Remedies	D–14
Limitations Of Liability	D–16
Supplemental Indentures; Waivers	D–17
Amendment Of Lease And Site Leases	D–18
THE LEASE	D–18
Term Of The Lease	D–18
Rentals Payable	D–19
Acquisition, Construction And Financing Of The Projects	D–22
Maintenance And Operation	D–23
Insurance Provisions	D–23
Taxes	D–24
Alterations, Additions And Improvements	D–24
Damage Or Destruction; Condemnation	D–24
Assignments	D–25
Compliance With Environmental Laws	D–26
Amendments, Changes And Modifications	D–26
Lessee's Options To Purchase The Leased Property	D–26
Events Of Default; Remedies	D–27

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 2012 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 2012 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 2012 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 therefore, 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 under the Indenture.

"*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 2012 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 therefore, 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 therefore 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 Denver, Colorado (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

(c) 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 Addi-

tional 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.

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 Cost of Issuance Funds, 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 re-let 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, trus-

tees, 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 therefore, 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, 2013), with a final renewal term commencing July 1, 2030, and ending May 16, 2031. 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, 2031, 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 therefore 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 therefore, 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 2012 BONDS—Redemption Provisions For The 2012 Bonds" in the body of the OFFICIAL STATEMENT to which this "APPENDIX D—BASIC DOCUMENTATION" 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 other-

wise 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 therefore 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 Nonappropri-

ation 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 therefore 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 therefore; 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 delivery of the 2012 Bonds, Ballard Spahr LLP, Bond Counsel to the Authority, proposes to issue its final approving opinion in substantially the following form:

State Building Ownership Authority
4110 State Office Building
Salt Lake City, Utah 84114

We have acted as bond counsel for the State Building Ownership Authority of the State of Utah (the "Authority") in connection with the issuance by the Authority of its $15,610,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 2012A (the "Series 2012A Bonds") and $11,700,000 Federally Taxable Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2012B (the "Series 2012B Bonds" and collectively with the Series 2012A Bonds, the "Series 2012 Bonds") . The Series 2012 Bonds are being issued pursuant to (i) the State Building Ownership Authority Act, Part 3, Chapter 1, Title 63B of the Utah Code Annotated 1953, as amended (the "Utah Code"), the Utah Refunding Bond Act , Chapter 27, Title 11 of the Utah Code, and Section 63B–21–101(1) of the Utah Code (collectively, the "Act"); (ii) resolutions of the Board adopted on September 12, 2012 (the "Parameters Resolution") and November 8, 2012 (the "Bond Resolution," and collectively with the Parameters Resolution, the "Resolutions"), 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 Nineteenth Supplemental Indenture of Trust dated as of November 1, 2012 (collectively, the "Indenture") between the Authority and Wells Fargo Bank, N.A., as Trustee. The Series 2012 Bonds are being issued for the purpose of (a) acquiring certain facilities, property and improvements, (b) refunding certain outstanding lease revenue bonds of the Authority, and (c) paying costs of issuance of the Bonds.

The principal of, and premium (if any) and interest on, the Bonds are payable from, and secured by, Base Rentals to be paid by the State of Utah (the "State"), acting through its Department of Administrative Services, Division of Facilities Construction and Management (the "Lessee"), pursuant to an annually renewable State Facilities Master Lease Agreement dated as of September 1, 1994 (the "Original Master Lease"), as previously amended and supplemented, and as further amended and supplemented by an Nineteenth Amendment to State Facilities Master Lease Agreement dated as of November 1, 2012 (collectively, the "Lease"), between the Authority (as lessor) and the Lessee. Payments by the State under the Master 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 certain insurance policies, performance bonds, condemnation awards and liquidation proceeds, if any, the Series 2012 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 2012 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 2012 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 2012 Bonds under the applicable laws of the State 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 2012 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 2012 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 2012 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 2012A 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 2012A 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 2012A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2012A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

6. Interest on the Series 2012B Bonds is <u>not</u> excludable from gross income for federal income tax purposes.

7. Interest on the Series 2012 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 2012 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 2012 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 2012 Bonds.

Respectfully submitted,

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER PARAGRAPH (b)(5) OF RULE 15C2-12

[TO BE DATED CLOSING DATE]

THIS CONTINUING DISCLOSURE UNDERTAKING (the *"Agreement"*) is executed and delivered by the State of Utah (the *"State"*) in connection with the issuance by the State Building Ownership Authority of the State of Utah (the *"Authority"*) of $15,610,000 aggregate principal amount of its Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 2012A (the *"2012A Bonds"*) and $11,700,000 aggregate principal amount of its Federally Taxable Lease Revenue and Refunding Bonds (State Facilities Master Lease Program), Series 2012B (the *"2012B Bonds"* and, collectively with the 2012A Bonds, the *"2012 Bonds"*). The 2012 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 an Nineteenth Supplemental Indenture of Trust, dated as of November 1, 2012 (as so amended and supplemented, the *"Indenture"*).

In consideration of the issuance of the 2012 Bonds by the Authority and the purchase of such 2012 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 2012 Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the 2012 Bonds at the time the 2012 Bonds are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after issuance of the 2012 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.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the 2012 Bonds.

"Reportable Event" means the occurrence of any of the Events with respect to the 2012 Bonds set forth in *Exhibit II*.

"Reportable Events Disclosure" means dissemination of a notice of a Event as set forth in Section 5.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"Undertaking" means the obligations of the State pursuant to Sections 4 and 5.

Section 3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the 2012 Bonds maturing in each of the following years are as follows:

2012A BONDS

MAY 15 OF THE YEAR	CUSIP NUMBER	MAY 15 OF THE YEAR	CUSIP NUMBER
2017	917547 XB2	2023	917547 XH9
2018	917547 XC0	2024	917547 XJ5
2019	917547 XD8	2025	917547 XK2
2020	917547 XE6	2026	917547 XL0
2021	917547 XF3	2027	917547 XM8
2022	917547 XG1		

2012B BONDS

MAY 15 OF THE YEAR	CUSIP NUMBER	MAY 15 OF THE YEAR	CUSIP NUMBER
2013	917547 XN6	2018	917547 XT3
2014	917547 XP1	2019	917547 XU0
2015	917547 XQ9	2020	917547 XV8
2016	917547 XR7	2021	917547 XW6
2017	917547 XS5	2022	917547 XX4

The Final Official Statement relating to the 2012 Bonds is dated November 8, 2012, as amended on November 13, 2012 (the *"Final Official Statement"*).

Section 4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 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 in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

Section 5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any 2012 Bond or defeasance of any 2012 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 2012 Bonds pursuant to the Indenture.

Section 6. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any 2012 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 2012 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 7. 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 2012 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 Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the State shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

Section 8. TERMINATION OF UNDERTAKING. The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the 2012 Bonds under the Indenture. The State shall give notice in a timely manner if this Section is applicable to EMMA.

Section 9. DISSEMINATION AGENT. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable 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 Reportable 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 Reportable Event.

Section 11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriter 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 2012 Bonds, and shall create no rights in any other person or entity.

Section 12. RECORDKEEPING. The State shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 13. ASSIGNMENT. The State shall not transfer its obligations under the Lease unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

Section 14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

Section 15. 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, MAC C7300-107, 1740 Broadway, Denver, Colorado 80274; telephone: (303) 863-4884.

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 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 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 not later than the January 15th following the end of each fiscal year of the State (presently June 30), beginning January 15, 2014. 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 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 2012 BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the obligated person*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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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 3.6 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 an S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com.

Purchases of 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 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 2012 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 2012 Bonds, except in the event that use of the book–entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2012 Bonds may wish to ascertain that the nominee holding the 2012 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 2012 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 2012 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2012 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 Trustee, 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 Trustee, 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 Trustee, 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 depository with respect to the 2012 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2012 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry–only transfers through DTC (or a successor securities depository). In that event, 2012 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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